



Senate

General Assembly

File No. 703

January Session, 2005

Substitute Senate Bill No. 1321

Senate, May 5, 2005

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

**AN ACT CONCERNING VARIOUS TAXES AND OTHER PROVISIONS
RELATED TO REVENUES OF THE STATE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (e) of section 3-62h of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (e) The State Bond Commission may, prior to June 30, [2005] 2007,
5 authorize the issuance of abandoned property fund bonds in one or
6 more series and in principal amounts not to exceed sixty million
7 dollars plus such additional amount of abandoned property fund
8 bonds required to fund Special Abandoned Property Fund financing
9 costs in accordance with the proceedings authorizing the abandoned
10 property fund bonds for the purpose of disbursing funds to the
11 General Fund in support of state programs. Such abandoned property
12 fund bonds are hereby determined to be issued for valid public

13 [proposes] purposes in the exercise of essential government functions.

14 Sec. 2. Subsection (b) of section 12-214 of the general statutes is
15 repealed and the following is substituted in lieu thereof (*Effective from*
16 *passage and applicable to income years commencing on or after January 1,*
17 *2005*):

18 (b) (1) With respect to income years commencing on or after January
19 1, 1989, and prior to January 1, 1992, any company subject to the tax
20 imposed in accordance with subsection (a) of this section shall pay, for
21 each such income year, an additional tax in an amount equal to twenty
22 per cent of the tax calculated under said subsection (a) for such income
23 year, without reduction of the tax so calculated by the amount of any
24 credit against such tax. The additional amount of tax determined
25 under this subsection for any income year shall constitute a part of the
26 tax imposed by the provisions of said subsection (a) and shall become
27 due and be paid, collected and enforced as provided in this chapter.

28 (2) With respect to income years commencing on or after January 1,
29 1992, and prior to January 1, 1993, any company subject to the tax
30 imposed in accordance with subsection (a) of this section shall pay, for
31 each such income year, an additional tax in an amount equal to ten per
32 cent of the tax calculated under said subsection (a) for such income
33 year, without reduction of the tax so calculated by the amount of any
34 credit against such tax. The additional amount of tax determined
35 under this subsection for any income year shall constitute a part of the
36 tax imposed by the provisions of said subsection (a) and shall become
37 due and be paid, collected and enforced as provided in this chapter.

38 (3) With respect to income years commencing on or after January 1,
39 2003, and prior to January 1, 2004, any company subject to the tax
40 imposed in accordance with subsection (a) of this section shall pay, for
41 each such income year, an additional tax in an amount equal to twenty
42 per cent of the tax calculated under said subsection (a) [or section 91 of
43 public act 03-1 of the June 30 special session*,] for such income year,
44 without reduction of the tax so calculated by the amount of any credit
45 against such tax. The additional amount of tax determined under this

46 subsection for any income year shall constitute a part of the tax
47 imposed by the provisions of said subsection (a) and shall become due
48 and be paid, collected and enforced as provided in this chapter.

49 (4) With respect to income years commencing on or after January 1,
50 2004, and prior to January 1, 2005, any company subject to the tax
51 imposed in accordance with subsection (a) of this section shall pay, for
52 each such income year, an additional tax in an amount equal to
53 twenty-five per cent of the tax calculated under said subsection (a) [or
54 section 91 of public act 03-1 of the June 30 special session*,] for such
55 income year, without reduction of the tax so calculated by the amount
56 of any credit against such tax, except that any company that pays the
57 minimum tax of two hundred fifty dollars under section 12-219, as
58 amended by this act, or 12-223c for such income year shall not be
59 subject to the additional tax imposed by this subdivision. The
60 additional amount of tax determined under this subdivision for any
61 income year shall constitute a part of the tax imposed by the
62 provisions of said subsection (a) and shall become due and be paid,
63 collected and enforced as provided in this chapter.

64 (5) With respect to income years commencing on or after January 1,
65 2005, and prior to January 1, 2006, any company subject to the tax
66 imposed in accordance with subsection (a) of this section shall pay, for
67 each such income year, an additional tax in an amount equal to ten per
68 cent of the tax calculated under said subsection (a) for such income
69 year, without reduction of the tax so calculated by the amount of any
70 credit against such tax. The additional amount of tax determined
71 under this subsection for any income year shall constitute a part of the
72 tax imposed by the provisions of said subsection (a) and shall become
73 due and be paid, collected and enforced as provided in this chapter.

74 (6) With respect to income years commencing on or after January 1,
75 2006, and prior to January 1, 2007, any company subject to the tax
76 imposed in accordance with subsection (a) of this section shall pay, for
77 each such income year, an additional tax in an amount equal to fifteen
78 per cent of the tax calculated under said subsection (a) for such income

79 year, without reduction of the tax so calculated by the amount of any
80 credit against such tax. The additional amount of tax determined
81 under this subsection for any income year shall constitute a part of the
82 tax imposed by the provisions of said subsection (a) and shall become
83 due and be paid, collected and enforced as provided in this chapter.

84 (7) With respect to income years commencing on or after January 1,
85 2007, and prior to January 1, 2008, any company subject to the tax
86 imposed in accordance with subsection (a) of this section shall pay, for
87 each such income year, an additional tax in an amount equal to fifteen
88 per cent of the tax calculated under said subsection (a) for such income
89 year, without reduction of the tax so calculated by the amount of any
90 credit against such tax. The additional amount of tax determined
91 under this subsection for any income year shall constitute a part of the
92 tax imposed by the provisions of said subsection (a) and shall become
93 due and be paid, collected and enforced as provided in this chapter.

94 Sec. 3. Subsection (b) of section 12-219 of the general statutes is
95 repealed and the following is substituted in lieu thereof (*Effective from*
96 *passage and applicable to income years commencing on or after January 1,*
97 *2005*):

98 (b) (1) With respect to income years commencing on or after January
99 1, 1989, and prior to January 1, 1992, the additional tax imposed on any
100 company and calculated in accordance with subsection (a) of this
101 section shall, for each such income year, except when the tax so
102 calculated is equal to two hundred fifty dollars, be increased by adding
103 thereto an amount equal to twenty per cent of the additional tax so
104 calculated for such income year, without reduction of the additional
105 tax so calculated by the amount of any credit against such tax. The
106 increased amount of tax payable by any company under this section,
107 as determined in accordance with this subsection, shall become due
108 and be paid, collected and enforced as provided in this chapter.

109 (2) With respect to income years commencing on or after January 1,
110 1992, and prior to January 1, 1993, the additional tax imposed on any
111 company and calculated in accordance with subsection (a) of this

112 section shall, for each such income year, except when the tax so
113 calculated is equal to two hundred fifty dollars, be increased by adding
114 thereto an amount equal to ten per cent of the additional tax so
115 calculated for such income year, without reduction of the tax so
116 calculated by the amount of any credit against such tax. The increased
117 amount of tax payable by any company under this section, as
118 determined in accordance with this subsection, shall become due and
119 be paid, collected and enforced as provided in this chapter.

120 (3) With respect to income years commencing on or after January 1,
121 2003, and prior to January 1, 2004, the additional tax imposed on any
122 company and calculated in accordance with subsection (a) of this
123 section [or section 91 of public act 03-1 of the June 30 special session*,]
124 shall, for each such income year, be increased by adding thereto an
125 amount equal to twenty per cent of the additional tax so calculated for
126 such income year, without reduction of the tax so calculated by the
127 amount of any credit against such tax. The increased amount of tax
128 payable by any company under this section, as determined in
129 accordance with this subsection, shall become due and be paid,
130 collected and enforced as provided in this chapter.

131 (4) With respect to income years commencing on or after January 1,
132 2004, and prior to January 1, 2005, the additional tax imposed on any
133 company and calculated in accordance with subsection (a) of this
134 section [or section 91 of public act 03-1 of the June 30 special session*,]
135 shall, for each such income year, be increased by adding thereto an
136 amount equal to twenty-five per cent of the additional tax so
137 calculated for such income year, without reduction of the tax so
138 calculated by the amount of any credit against such tax, except that
139 any company that pays the minimum tax of two hundred fifty dollars
140 under this section or section 12-223c for such income year shall not be
141 subject to such additional tax. The increased amount of tax payable by
142 any company under this subdivision, as determined in accordance
143 with this subsection, shall become due and be paid, collected and
144 enforced as provided in this chapter.

145 (5) With respect to income years commencing on or after January 1,
146 2005, and prior to January 1, 2006, the additional tax imposed on any
147 company and calculated in accordance with subsection (a) of this
148 section shall, for each such income year, except when the tax so
149 calculated is equal to two hundred fifty dollars, be increased by adding
150 thereto an amount equal to ten per cent of the additional tax so
151 calculated for such income year, without reduction of the tax so
152 calculated by the amount of any credit against such tax. The increased
153 amount of tax payable by any company under this section, as
154 determined in accordance with this subsection, shall become due and
155 be paid, collected and enforced as provided in this chapter.

156 (6) With respect to income years commencing on or after January 1,
157 2006, and prior to January 1, 2007, the additional tax imposed on any
158 company and calculated in accordance with subsection (a) of this
159 section shall, for each such income year, except when the tax so
160 calculated is equal to two hundred fifty dollars, be increased by adding
161 thereto an amount equal to fifteen per cent of the additional tax so
162 calculated for such income year, without reduction of the tax so
163 calculated by the amount of any credit against such tax. The increased
164 amount of tax payable by any company under this section, as
165 determined in accordance with this subsection, shall become due and
166 be paid, collected and enforced as provided in this chapter.

167 (7) With respect to income years commencing on or after January 1,
168 2007, and prior to January 1, 2008, the additional tax imposed on any
169 company and calculated in accordance with subsection (a) of this
170 section shall, for each such income year, except when the tax so
171 calculated is equal to two hundred fifty dollars, be increased by adding
172 thereto an amount equal to fifteen per cent of the additional tax so
173 calculated for such income year, without reduction of the tax so
174 calculated by the amount of any credit against such tax. The increased
175 amount of tax payable by any company under this section, as
176 determined in accordance with this subsection, shall become due and
177 be paid, collected and enforced as provided in this chapter.

178 Sec. 4. Subsections (d) and (e) of section 12-344 of the general
179 statutes are repealed and the following is substituted in lieu thereof
180 (*Effective from passage and applicable to calendar years commencing on or*
181 *after January 1, 2005*):

182 (d) The tax under this section applicable to the net taxable estate of
183 any transferor, whose death occurs on or after January 1, 1999, passing
184 to a class B beneficiary shall be imposed as follows: (1) If the death of
185 the transferor occurs on or after January 1, 1999, but prior to January 1,
186 2000, at the rate of (A) six per cent on the amount in excess of two
187 hundred thousand dollars in value to and including two hundred fifty
188 thousand dollars, (B) seven per cent on the amount in excess of two
189 hundred fifty thousand dollars in value to and including four hundred
190 thousand dollars, (C) eight per cent on the amount in excess of four
191 hundred thousand dollars in value to and including six hundred
192 thousand dollars, (D) nine per cent on the amount in excess of six
193 hundred thousand dollars in value to and including one million
194 dollars, and (E) ten per cent on the amount in excess of one million
195 dollars in value, (2) if the death of the transferor occurs on or after
196 January 1, 2000, but prior to January 1, 2001, at the rate of (A) eight per
197 cent on the amount in excess of four hundred thousand dollars in
198 value to and including six hundred thousand dollars, (B) nine per cent
199 on the amount in excess of six hundred thousand dollars in value to
200 and including one million dollars, and (C) ten per cent on the amount
201 in excess of one million dollars in value, (3) if the death of the
202 transferor occurs on or after January 1, 2001, but prior to January 1,
203 2005, at the rate of (A) nine per cent on the amount in excess of six
204 hundred thousand dollars in value to and including one million
205 dollars, and (B) ten per cent on the amount in excess of one million
206 dollars in value, (4) if the death of the transferor occurs on or after
207 January 1, 2005, [but prior to January 1, 2006, at the rate of eight per
208 cent on the amount in excess of one million five hundred thousand
209 dollars in value, and (5) if the death of the transferor occurs on or after
210 January 1, 2006,] the net taxable estate passing to a class B beneficiary
211 shall not be subject to tax under this chapter.

212 (e) The tax under this section applicable to the net taxable estate of
213 any transferor, whose death occurs on or after January 1, 2001, passing
214 to a class C beneficiary shall be imposed as follows: (1) If the death of
215 the transferor occurs on or after January 1, 2001, but prior to January 1,
216 2005, at the rate of (A) ten per cent on the amount in excess of two
217 hundred thousand dollars in value to and including two hundred fifty
218 thousand dollars, (B) eleven per cent on the amount in excess of two
219 hundred fifty thousand dollars in value to and including four hundred
220 thousand dollars, (C) twelve per cent on the amount in excess of four
221 hundred thousand dollars in value to and including six hundred
222 thousand dollars, (D) thirteen per cent on the amount in excess of six
223 hundred thousand dollars in value to and including one million
224 dollars, and (E) fourteen per cent on the amount in excess of one
225 million dollars in value, (2) if the death of the transferor occurs on or
226 after January 1, 2005, [but prior to January 1, 2006, at the rate of (A)
227 twelve per cent on the amount in excess of four hundred thousand
228 dollars in value to and including six hundred thousand dollars, (B)
229 thirteen per cent on the amount in excess of six hundred thousand
230 dollars in value to and including one million dollars, and (C) fourteen
231 per cent on the amount in excess of one million dollars in value, (3) if
232 the death of the transferor occurs on or after January 1, 2006, but prior
233 to January 1, 2007, at the rate of (A) thirteen per cent on the amount in
234 excess of six hundred thousand dollars in value to and including one
235 million dollars, and (B) fourteen per cent on the amount in excess of
236 one million dollars in value, (4) if the death of the transferor occurs on
237 or after January 1, 2007, but prior to January 1, 2008, at the rate of
238 fourteen per cent on the amount in excess of one million five hundred
239 thousand dollars in value, and (5) if the death of the transferor occurs
240 on or after January 1, 2008,] the net taxable estate passing to a class C
241 beneficiary shall not be subject to tax under this chapter.

242 Sec. 5. Subsection (a) of section 12-642 of the general statutes is
243 repealed and the following is substituted in lieu thereof (*Effective from*
244 *passage and applicable to calendar years commencing on or after January 1,*
245 *2005*):

246 (a) (1) With respect to calendar years commencing prior to January
 247 1, 2001, the tax imposed by section 12-640 for the calendar year shall be
 248 at a rate of the taxable gifts made by the donor during the calendar
 249 year set forth in the following schedule:

T1	Amount of Taxable Gifts	Rate of Tax
T2	Not over \$25,000	1%
T3	Over \$25,000	\$250, plus 2% of the excess
T4	but not over \$50,000	over \$25,000
T5	Over \$50,000	\$750, plus 3% of the excess
T6	but not over \$75,000	over \$50,000
T7	Over \$75,000	\$1,500, plus 4% of the excess
T8	but not over \$100,000	over \$75,000
T9	Over \$100,000	\$2,500, plus 5% of the excess
T10	but not over \$200,000	over \$100,000
T11	Over \$200,000	\$7,500, plus 6% of the excess
T12		over \$200,000

250 (2) With respect to the calendar years commencing January 1, 2001,
 251 January 1, 2002, January 1, 2003, and January 1, 2004, [and January 1,
 252 2005,] the tax imposed by section 12-640 for each such calendar year
 253 shall be at a rate of the taxable gifts made by the donor during the
 254 calendar year set forth in the following schedule:

T13	Amount of Taxable Gifts	Rate of Tax
T14	Over \$25,000	\$250, plus 2% of the excess
T15	but not over \$50,000	over \$25,000
T16	Over \$50,000	\$750, plus 3% of the excess
T17	but not over \$75,000	over \$50,000
T18	Over \$75,000	\$1,500, plus 4% of the excess
T19	but not over \$100,000	over \$75,000
T20	Over \$100,000	\$2,500, plus 5% of the excess
T21	but not over \$675,000	over \$100,000
T22	Over \$675,000	\$31,250, plus 6% of the excess
T23		over \$675,000

255 [(3) With respect to the calendar year commencing January 1, 2006,
 256 the tax imposed by section 12-640 for the calendar year shall be at a
 257 rate of the taxable gifts made by the donor during the calendar year set
 258 forth in the following schedule:

T24	Amount of Taxable Gifts	Rate of Tax
T25	Over \$50,000	\$750, plus 3% of the excess
T26	but not over \$75,000	over \$50,000
T27	Over \$75,000	\$1,500, plus 4% of the excess
T28	but not over \$100,000	over \$75,000
T29	Over \$100,000	\$2,500, plus 5% of the excess
T30	but not over \$700,000	over \$100,000
T31	Over \$700,000	\$32,500, plus 6% of the excess
T32		over \$700,000

259 (4) With respect to the calendar year commencing January 1, 2007,
 260 the tax imposed by section 12-640 for the calendar year shall be at a
 261 rate of the taxable gifts made by the donor during the calendar year set
 262 forth in the following schedule:

T33	Amount of Taxable Gifts	Rate of Tax
T34	Over \$75,000	\$1,500, plus 4% of the excess
T35	but not over \$100,000	over \$75,000
T36	Over \$100,000	\$2,500, plus 5% of the excess
T37	but not over \$700,000	over \$100,000
T38	Over \$700,000	\$32,500, plus 6% of the excess
T39		over \$700,000

263 (5) With respect to the calendar year commencing January 1, 2008,
 264 the tax imposed by section 12-640 for the calendar year shall be at a
 265 rate of the taxable gifts made by the donor during the calendar year set
 266 forth in the following schedule:

T40	Amount of Taxable Gifts	Rate of Tax
T41	Over \$100,000	\$2,500, plus 5% of the excess
T42	but not over \$850,000	over \$100,000
T43	Over \$850,000	\$40,000, plus 6% of the excess
T44		over \$850,000

267 (6) With respect to the calendar year commencing January 1, 2009,
 268 the tax imposed by section 12-640 for the calendar year shall be at a
 269 rate of the taxable gifts made by the donor during the calendar year set
 270 forth in the following schedule:

T45	Amount of Taxable Gifts	Rate of Tax
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T46	Over \$950,000	\$45,000, plus 6% of the excess
T47		over \$950,000

271 (7) With respect to the calendar year commencing January 1, 2010,
 272 and each calendar year thereafter, the tax imposed by section 12-640
 273 for the calendar year shall be at a rate of the taxable gifts made by the
 274 donor during the calendar year set forth in the following schedule:

T48	Amount of Taxable Gifts	Rate of Tax
T49	Over \$1,000,000	\$47,500, plus 6% of the excess
T50		over \$1,000,000]

275 (3) On and after January 1, 2005, for the total amount of Connecticut
 276 taxable gifts that exceeds one million dollars, the tax imposed by
 277 section 12-640 for the calendar year shall be at the rate set forth in the
 278 following schedule, with a credit allowed against such tax for any
 279 taxes paid to this state pursuant to this subdivision on or after January
 280 1, 2005:

T51	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T52	<u>Not over \$1,000,000</u>	<u>None</u>
T53	<u>Over \$1,000,000</u>	<u>41% of the excess</u>
T54	<u>but not over \$1,093,785</u>	<u>over \$1,000,000</u>
T55	<u>Over \$1,093,785</u>	<u>\$38,452 plus 5.6% of the excess</u>
T56	<u>but not over \$1,100,000</u>	<u>over \$1,093,785</u>
T57	<u>Over \$1,100,000</u>	<u>\$38,800 plus 6.4% of the excess</u>
T58	<u>but not over \$1,600,000</u>	<u>over \$1,100,000</u>
T59	<u>Over \$1,600,000</u>	<u>\$70,800 plus 7.2% of the excess</u>
T60	<u>but not over \$2,100,000</u>	<u>over \$1,600,000</u>
T61	<u>Over \$2,100,000</u>	<u>\$106,800 plus 8% of the excess</u>
T62	<u>but not over \$2,600,000</u>	<u>over \$2,100,000</u>
T63	<u>Over \$2,600,000</u>	<u>\$146,800 plus 8.8% of the excess</u>
T64	<u>but not over \$3,100,000</u>	<u>over \$2,600,000</u>
T65	<u>Over \$3,100,000</u>	<u>\$190,800 plus 9.6% of the excess</u>
T66	<u>but not over \$3,600,000</u>	<u>over \$3,100,000</u>
T67	<u>Over \$3,600,000</u>	<u>\$238,800 plus 10.4% of the excess</u>
T68	<u>but not over \$4,100,000</u>	<u>over \$3,600,000</u>
T69	<u>Over \$4,100,000</u>	<u>\$290,800 plus 11.2% of the excess</u>
T70	<u>but not over \$5,100,000</u>	<u>over \$4,100,000</u>
T71	<u>Over \$5,100,000</u>	<u>\$402,800 plus 12% of the excess</u>

T72	<u>but not over \$6,100,000</u>	<u>over \$5,100,000</u>
T73	<u>Over \$6,100,000</u>	<u>\$522,800 plus 12.8% of the excess</u>
T74	<u>but not over \$7,100,000</u>	<u>over \$6,100,000</u>
T75	<u>Over \$7,100,000</u>	<u>\$650,800 plus 13.6% of the excess</u>
T76	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T77	<u>Over \$8,100,000</u>	<u>\$786,800 plus 14.4% of the excess</u>
T78	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T79	<u>Over \$9,100,000</u>	<u>\$930,800 plus 15.2% of the excess</u>
T80	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T81	<u>Over \$10,100,000</u>	<u>\$1,082,800 plus 16% of the excess</u>
T82		<u>over \$10,100,000</u>

281 Sec. 6. Section 12-643 of the general statutes is repealed and the
 282 following is substituted in lieu thereof (*Effective from passage and*
 283 *applicable to calendar years commencing on or after January 1, 2005*):

284 (a) The term "taxable gifts" means the transfers by gift which are
 285 included in taxable gifts for federal gift tax purposes under Section
 286 2503 and Sections 2511 to 2514, inclusive, and Sections 2516 to 2519,
 287 inclusive, of the Internal Revenue Code of 1986, or any subsequent
 288 corresponding internal revenue code of the United States, as from time
 289 to time amended, less the deductions allowed in Sections 2522 to 2524,
 290 inclusive, of said Internal Revenue Code, except in the event of repeal
 291 of the federal gift tax, than all references to the Internal Revenue Code
 292 in this section shall mean the Internal Revenue Code as in force on the
 293 day prior to the effective date of such repeal.

294 (b) In the administration of the tax under this chapter, the
 295 Commissioner of Revenue Services shall apply the provisions of
 296 Sections 2701 to 2704, inclusive, of said Internal Revenue Code. The
 297 words "secretary or his delegate" as used in the aforementioned
 298 sections of the Internal Revenue Code means the Commissioner of
 299 Revenue Services.

300 (c) The term "Connecticut taxable gifts" means the aggregate sum of
 301 taxable gifts made for all calendar years beginning January 1, 2005, by
 302 residents of this state, or gifts of real estate or tangible personal

303 property located within this state made by nonresidents for all
304 calendar years commencing January 1, 2005. "Connecticut taxable gifts"
305 does not include tangible personal property or real estate having a
306 situs outside the state of Connecticut.

307 Sec. 7. Section 12-391 of the general statutes is repealed and the
308 following is substituted in lieu thereof (*Effective from passage and*
309 *applicable to estates of decedents who die on or after January 1, 2005*):

310 (a) [A] With respect to estates of decedents who die prior to January
311 1, 2005, a tax is imposed upon the transfer of the estate of each person
312 who at the time of death was a resident of this state. The amount of the
313 tax shall be the amount of the federal credit allowable for estate,
314 inheritance, legacy and succession taxes paid to any state or the
315 District of Columbia under the provisions of the federal internal
316 revenue code in force at the date of such decedent's death in respect to
317 any property owned by such decedent or subject to such taxes as part
318 of or in connection with the estate of such decedent. If real or tangible
319 personal property of such decedent is located outside of this state and
320 is subject to estate, inheritance, legacy, or succession taxes by any state
321 or states, other than the state of Connecticut, or by the District of
322 Columbia for which such federal credit is allowable, the amount of tax
323 due under this section shall be reduced by the lesser of: (1) The amount
324 of any such taxes paid to such other state or states or said district and
325 allowed as a credit against the federal estate tax; or (2) an amount
326 computed by multiplying such federal credit by a fraction, (A) the
327 numerator of which is the value of that part of the decedent's gross
328 estate over which such other state or states or said district have
329 jurisdiction for estate tax purposes to the same extent to which this
330 state would assert jurisdiction for estate tax purposes under this
331 chapter with respect to the residents of such other state or states or
332 said district, and (B) the denominator of which is the value of the
333 decedent's gross estate. Property of a resident estate over which this
334 state has jurisdiction for estate tax purposes includes real property
335 situated in this state, tangible personal property having an actual situs
336 in this state, and intangible personal property owned by the decedent,

337 regardless of where it is located. The amount of any estate tax imposed
338 under this subsection shall also be reduced, but not below zero, by the
339 amount of any tax that is imposed under chapter 216 and that is
340 actually paid to this state.

341 (b) [A] With respect to the estates of decedents who die prior to
342 January 1, 2005, a tax is imposed upon the transfer of the estate of each
343 person who at the time of death was a nonresident of this state, the
344 amount of which shall be computed by multiplying (1) the federal
345 credit allowable for estate, inheritance, legacy, and succession taxes
346 paid to any state or states or the District of Columbia under the
347 provisions of the federal internal revenue code in force at the date of
348 such decedent's death in respect to any property owned by such
349 decedent or subject to such taxes as a part of or in connection with the
350 estate of such decedent by (2) a fraction, (A) the numerator of which is
351 the value of that part of the decedent's gross estate over which this
352 state has jurisdiction for estate tax purposes and (B) the denominator
353 of which is the value of the decedent's gross estate. Property of a
354 nonresident estate over which this state has jurisdiction for estate tax
355 purposes includes real property situated in this state and tangible
356 personal property having an actual situs in this state. The amount of
357 any estate tax imposed under this subsection shall also be reduced, but
358 not below zero, by the amount of any tax that is imposed under
359 chapter 216 and that is actually paid to this state.

360 [(c) For purposes of subsections (a) and (b) of this section, "gross
361 estate" means the gross estate, for federal estate tax purposes.]

362 (c) For purposes of this section:

363 (1) "Connecticut taxable estate" means (A) the gross estate less
364 allowable deductions, as determined under Chapter 11 of the Internal
365 Revenue Code, plus (B) Connecticut taxable gifts, as defined in section
366 12-643, as amended by this act, made by the decedent for all calendar
367 years beginning on or after January 1, 2005. The deduction for state
368 death taxes paid under Section 2058 of said code shall be disregarded.

369 (2) "Internal Revenue Code" means the Internal Revenue Code of
370 1986, or any subsequent corresponding internal revenue code of the
371 United States, as from time to time amended, except in the event of
372 repeal of the federal estate tax, then all references to the Internal
373 Revenue Code in this section shall mean the Internal Revenue Code as
374 in force on the day prior to the effective date of such repeal.

375 (3) "Gross estate" means the gross estate, for federal estate tax
376 purposes.

377 (d) (1) With respect to the estates of decedents who die on or after
378 January 1, 2005, a tax is imposed upon the transfer of the estate of each
379 person who at the time of death was a resident of this state. Such tax
380 shall be imposed upon the portion of the Connecticut taxable estate
381 that exceeds one million dollars in value. The amount of the tax shall
382 be determined using the schedule in subsection (e) of this section. A
383 credit shall be allowed against such tax for any taxes paid to this state
384 pursuant to section 12-642, as amended by this act, on or after January
385 1, 2005.

386 (2) If real or tangible personal property of such decedent is located
387 outside of this state and is subject to estate, inheritance, legacy or
388 succession taxes by any state or states, other than the state of
389 Connecticut, or by the District of Columbia, the amount of tax due
390 under this section shall be reduced by the lesser of: (A) The amount of
391 any taxes paid to such other state or states or said district; or (B) an
392 amount computed by multiplying the federal credit, if any, allowable
393 for estate, inheritance, legacy and succession taxes by a fraction, (i) the
394 numerator of which is the value of that part of the decedent's gross
395 estate over which such other state or states or said district have
396 jurisdiction for estate tax purposes to the same extent to which this
397 state would assert jurisdiction for estate tax purposes under chapter
398 217, with respect to the residents of such other state or states or said
399 district, and (ii) the denominator of which is the value of the decedent's
400 gross estate.

401 (3) Property of a resident estate over which this state has jurisdiction

402 for estate tax purposes includes real property situated in this state,
403 tangible personal property having an actual situs in this state, and
404 intangible personal property owned by the decedent, regardless of
405 where it is located.

406 (e) (1) With respect to the estates of decedents who die on or after
407 January 1, 2005, a tax is imposed upon the transfer of the portion of the
408 Connecticut taxable estate that exceeds one million dollars in value of
409 each person who at the time of death was a nonresident of this state.
410 The amount of such tax shall be computed by multiplying (A) the
411 amount of tax determined using the schedule in subsection (e) of this
412 section by (B) a fraction, (i) the numerator of which is the value of that
413 part of the decedent's gross estate over which this state has jurisdiction
414 for estate tax purposes, and (ii) the denominator of which is the value
415 of the decedent's gross estate. A credit shall be allowed against such
416 tax for any taxes paid to this state pursuant to section 12-642, as
417 amended by this act, on or after January 1, 2005.

418 (2) Property of a nonresident estate over which this state has
419 jurisdiction for estate tax purposes includes real property situated in
420 this state and tangible personal property having an actual situs in this
421 state.

422 (f) (1) For purposes of the tax imposed under this section, the value
423 of the Connecticut taxable estate shall be determined taking into
424 account all of the deductions available under the Internal Revenue
425 Code of 1986, specifically including, but not limited to, the deduction
426 available under Section 2056(b)(7) of said code for a qualifying income
427 interest for life in a surviving spouse.

428 (2) An election under said Section 2056(b)(7) may be made for state
429 estate tax purposes regardless of whether any such election is made for
430 federal estate tax purposes. The value of the gross estate shall include
431 the value of any property in which the decedent had a qualifying
432 income interest for life for which an election was made under this
433 subsection.

434 (g) With respect to the estates of decedents dying on or after January
 435 1, 2005, the tax based on the Connecticut taxable estate shall be as
 436 provided in the following schedule:

T83	<u>Amount of Connecticut</u>	<u>Rate of Tax</u>
T84	<u>Taxable Estate</u>	
T85	<u>Not over \$1,000,000</u>	<u>None</u>
T86	<u>Over \$1,000,000</u>	<u>41% of the excess</u>
T87	<u>but not over \$1,093,785</u>	<u>over \$1,000,000</u>
T88	<u>Over \$1,093,785</u>	<u>\$38,452 plus 5.6% of the excess</u>
T89	<u>but not over \$1,100,000</u>	<u>over \$1,093,785</u>
T90	<u>Over \$1,100,000</u>	<u>\$38,800 plus 6.4% of the excess</u>
T91	<u>but not over \$1,600,000</u>	<u>over \$1,100,000</u>
T92	<u>Over \$1,600,000</u>	<u>\$70,800 plus 7.2% of the excess</u>
T93	<u>but not over \$2,100,000</u>	<u>over \$1,600,000</u>
T94	<u>Over \$2,100,000</u>	<u>\$106,800 plus 8% of the excess</u>
T95	<u>but not over \$2,600,000</u>	<u>over \$2,100,000</u>
T96	<u>Over \$2,600,000</u>	<u>\$146,800 plus 8.8% of the excess</u>
T97	<u>but not over \$3,100,000</u>	<u>over \$2,600,000</u>
T98	<u>Over \$3,100,000</u>	<u>\$190,800 plus 9.6% of the excess</u>
T99	<u>but not over \$3,600,000</u>	<u>over \$3,100,000</u>
T100	<u>Over \$3,600,000</u>	<u>\$238,800 plus 10.4% of the excess</u>
T101	<u>but not over \$4,100,000</u>	<u>over \$3,600,000</u>
T102	<u>Over \$4,100,000</u>	<u>\$290,800 plus 11.2% of the excess</u>
T103	<u>but not over \$5,100,000</u>	<u>over \$4,100,000</u>
T104	<u>Over \$5,100,000</u>	<u>\$402,800 plus 12% of the excess</u>
T105	<u>but not over \$6,100,000</u>	<u>over \$5,100,000</u>
T106	<u>Over \$6,100,000</u>	<u>\$522,800 plus 12.8% of the excess</u>
T107	<u>but not over \$7,100,000</u>	<u>over \$6,100,000</u>
T108	<u>Over \$7,100,000</u>	<u>\$650,800 plus 13.6% of the excess</u>
T109	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T110	<u>Over \$8,100,000</u>	<u>\$786,800 plus 14.4% of the excess</u>
T111	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T112	<u>Over \$9,100,000</u>	<u>\$930,800 plus 15.2% of the excess</u>
T113	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>

T114	<u>Over \$10,100,000</u>	<u>\$1,082,800 plus 16% of the excess</u>
T115		<u>over \$10,100,000</u>

437 [(d)] (h) (1) For the purposes of this chapter, each decedent shall be
438 presumed to have died a resident of this state. The burden of proof in
439 an estate tax proceeding shall be upon any decedent's estate claiming
440 exemption by reason of the decedent's alleged nonresidency.

441 (2) Any person required to make and file a tax return under this
442 chapter, believing that the decedent died a nonresident of this state,
443 may file a request for determination of domicile in writing with the
444 Commissioner of Revenue Services, stating the specific grounds upon
445 which the request is founded provided (A) such person has filed such
446 return, (B) at least two hundred seventy days, but no more than three
447 years, has elapsed since the due date of such return or, if an
448 application for extension of time to file such return has been granted,
449 the extended due date of such return, (C) such person has not been
450 notified, in writing, by said commissioner that a written agreement of
451 compromise with the taxing authorities of another jurisdiction, under
452 section 12-395a, is being negotiated, and (D) the commissioner has not
453 previously determined whether the decedent died a resident of this
454 state. Not later than one hundred eighty days following receipt of such
455 request for determination, the commissioner shall determine whether
456 such decedent died a resident or a nonresident of this state. If the
457 commissioner commences negotiations over a written agreement of
458 compromise with the taxing authorities of another jurisdiction after a
459 request for determination of domicile is filed, the one-hundred-eighty-
460 day period shall be tolled for the duration of such negotiations. When,
461 before the expiration of such one-hundred-eighty-day period, both the
462 commissioner and the person required to make and file a tax return
463 under this chapter have consented in writing to the making of such
464 determination after such time, the determination may be made at any
465 time prior to the expiration of the period agreed upon. The period so
466 agreed upon may be extended by subsequent agreements in writing
467 made before the expiration of the period previously agreed upon. The
468 commissioner shall mail notice of his proposed determination to the

469 person required to make and file a tax return under this chapter. Such
470 notice shall set forth briefly the commissioner's findings of fact and the
471 basis of such proposed determination. Sixty days after the date on
472 which it is mailed, a notice of proposed determination shall constitute
473 a final determination unless the person required to make and file a tax
474 return under this chapter has filed, as provided in subdivision (3) of
475 this subsection, a written protest with the Commissioner of Revenue
476 Services.

477 (3) On or before the sixtieth day after mailing of the proposed
478 determination, the person required to make and file a tax return under
479 this chapter may file with the commissioner a written protest against
480 the proposed determination in which such person shall set forth the
481 grounds on which the protest is based. If such a protest is filed, the
482 commissioner shall reconsider the proposed determination and, if the
483 person required to make and file a tax return under this chapter has so
484 requested, may grant or deny such person or the authorized
485 representatives of such person an oral hearing.

486 (4) Notice of the commissioner's determination shall be mailed to
487 the person required to make and file a tax return under this chapter
488 and such notice shall set forth briefly the commissioner's findings of
489 fact and the basis of decision in each case decided adversely to such
490 person.

491 (5) The action of the commissioner on a written protest shall be final
492 upon the expiration of one month from the date on which he mails
493 notice of his action to the person required to make and file a tax return
494 under this chapter unless within such period such person seeks review
495 of the commissioner's determination pursuant to subsection (b) of
496 section 12-395.

497 (6) Nothing in this subsection shall be construed to relieve any
498 person filing a request for determination of domicile of the obligation
499 to pay the correct amount of tax on or before the due date of the tax.

500 Sec. 8. Subdivision (3) of subsection (b) of section 12-392 of the

501 general statutes is repealed and the following is substituted in lieu
502 thereof (*Effective from passage*):

503 (3) A tax return shall be filed, in the case of every decedent who
504 died prior to January 1, 2005, and at the time of death was (A) a
505 resident of this state, or (B) a nonresident of this state whose gross
506 estate includes any real property situated in this state or tangible
507 personal property having an actual situs in this state, whenever the
508 personal representative of the estate is required by the laws of the
509 United States to file a federal estate tax return. A tax return shall be
510 filed, in the case of every decedent who dies on or after January 1,
511 2005, and at the time of death was (i) a resident of this state, or (ii) a
512 nonresident of this state whose gross estate includes any real property
513 situated in this state or tangible personal property having an actual
514 situs in this state, whenever such decedent's gross estate plus
515 Connecticut taxable gifts, as defined in section 12-643, as amended by
516 this act, exceeds one million dollars. The duly authorized executor or
517 administrator shall file the return. If there is more than one executor or
518 administrator, the return shall be made jointly by all. If there is no
519 executor or administrator appointed, qualified and acting, each person
520 in actual or constructive possession of any property of the decedent is
521 constituted an executor for purposes of the tax and shall make and file
522 a return. If in any case the executor is unable to make a complete
523 return as to any part of the gross estate, the executor shall provide all
524 the information available to him with respect to such property,
525 including a full description, and the name of every person holding a
526 legal or beneficial interest in the property. If the executor is unable to
527 make a return as to any property, each person holding a legal or
528 equitable interest in such property shall, upon notice from the
529 commissioner, make a return as to that part of the gross estate.

530 Sec. 9. Subdivision (6) of subsection (a) of section 12-700 of the
531 general statutes is repealed and the following is substituted in lieu
532 thereof (*Effective from passage and applicable to taxable years commencing*
533 *on or after January 1, 2005*):

534 (6) For taxable years commencing on or after January 1, [2003] 2005,
 535 but prior to January 1, 2006, in accordance with the following schedule:

536 (A) For any person who files a return under the federal income tax
 537 for such taxable year as an unmarried individual or [as a married
 538 individual filing separately] for trusts or estates:

T116	Connecticut Taxable Income	Rate of Tax
T117	Not over \$10,000	3.0%
T118	Over \$10,000	\$300.00, plus 5.0% of the
T119	<u>but not over \$265,500</u>	excess over \$10,000
T120	<u>Over \$265,500</u>	<u>\$13,075, plus 5.75% of the</u>
T121	<u>but not over \$398,500</u>	<u>excess over \$265,500</u>
T122	<u>Over \$398,500</u>	<u>\$20,722.50, plus 6.0% of the</u>
T123	<u>but not over \$531,500</u>	<u>excess over \$398,500</u>
T124	<u>Over \$531,500</u>	<u>\$28,702.50, plus 6.25% of the</u>
T125	<u>but not over \$1,062,500</u>	<u>excess over \$531,500</u>
T126	<u>Over \$1,062,500</u>	<u>\$61,858.75, plus 6.50% of the</u>
T127		<u>excess over \$1,062,500</u>

539 (B) For any person who files a return under the federal income tax
 540 for such taxable year as a head of household, as defined in Section 2(b)
 541 of the Internal Revenue Code:

T128	Connecticut Taxable Income	Rate of Tax
T129	Not over \$16,000	3.0%
T130	Over \$16,000	\$480.00, plus 5.0% of the
T131	<u>but not over \$396,000</u>	excess over \$16,000
T132	<u>Over \$396,000</u>	<u>\$19,480, plus 5.75% of the</u>
T133	<u>but not over \$594,000</u>	<u>excess over \$396,000</u>
T134	<u>Over \$594,000</u>	<u>\$30,865, plus 6.0% of the</u>
T135	<u>but not over \$792,000</u>	<u>excess over \$594,000</u>
T136	<u>Over \$792,000</u>	<u>\$42,745, plus 6.25% of the</u>
T137	<u>but not over \$1,580,000</u>	<u>excess over \$792,000</u>
T138	<u>Over \$1,580,000</u>	<u>\$91,995, plus 6.50% of the</u>

T139 excess over \$1,580,000

542 (C) For any husband and wife who file a return under the federal
 543 income tax for such taxable year as married individuals filing jointly or
 544 any person who files a return under the federal income tax for such
 545 taxable year as a surviving spouse, as defined in Section 2(a) of the
 546 Internal Revenue Code:

T140	Connecticut Taxable Income	Rate of Tax
T141	Not over \$20,000	3.0%
T142	Over \$20,000	\$600.00, plus 5.0% of the
T143	<u>but not over \$500,000</u>	<u>excess over \$20,000</u>
T144	<u>Over \$500,000</u>	<u>\$24,600, plus 5.75% of the</u>
T145	<u>but not over \$750,000</u>	<u>excess over \$500,000</u>
T146	<u>Over \$750,000</u>	<u>\$38,975, plus 6.0% of the</u>
T147	<u>but not over \$1,000,000</u>	<u>excess over \$750,000</u>
T148	<u>Over \$1,000,000</u>	<u>\$53,975, plus 6.25% of the</u>
T149	<u>but not over \$2,000,000</u>	<u>excess over \$1,000,000</u>
T150	<u>Over \$2,000,000</u>	<u>\$116,475, plus 6.50% of the</u>
T151		<u>excess over \$2,000,000</u>

547 (D) [For trusts or estates, the rate of tax shall be 5.0% of the
 548 Connecticut taxable income.] For any person who files a return under
 549 the federal income tax for such taxable year as a married individual
 550 filing separately:

T152	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T153	<u>Not over \$10,000</u>	<u>3.0%</u>
T154	<u>Over \$10,000</u>	<u>\$300.00, plus 5.0% of the</u>
T155	<u>but not over \$250,000</u>	<u>excess over \$10,000</u>
T156	<u>Over \$250,000</u>	<u>\$12,300, plus 5.75% of the</u>
T157	<u>but not over \$375,000</u>	<u>excess over \$250,000</u>
T158	<u>Over \$375,000</u>	<u>\$19,487.50, plus 6.0% of the</u>
T159	<u>but not over \$500,000</u>	<u>excess over \$375,000</u>
T160	<u>Over \$500,000</u>	<u>\$26,987.50, plus 6.25% of the</u>

T161	<u>but not over \$1,000,000</u>	<u>excess over \$500,000</u>
T162	<u>Over \$1,000,000</u>	<u>\$58,237.50, plus 6.50% of the</u>
T163		<u>excess over \$1,000,000</u>

551 (7) For taxable years commencing on or after January 1, 2006, in
 552 accordance with the following schedule:

553 (A) For any person who files a return under the federal income tax
 554 for such taxable year as an unmarried individual or for trusts and
 555 estates:

T164	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T165	<u>Not over \$10,000</u>	<u>3.0%</u>
T166	<u>Over \$10,000</u>	<u>\$300.00, plus 5.0% of the</u>
T167	<u>but not over \$265,500</u>	<u>excess over \$10,000</u>
T168	<u>Over \$265,500</u>	<u>\$13,075, plus 6.0% of the</u>
T169	<u>but not over \$398,500</u>	<u>excess over \$265,500</u>
T170	<u>Over \$398,500</u>	<u>\$21,055.50, plus 6.25% of the</u>
T171	<u>but not over \$531,500</u>	<u>excess over \$398,500</u>
T172	<u>Over \$531,500</u>	<u>\$29,367.50, plus 6.50% of the</u>
T173	<u>but not over \$1,062,500</u>	<u>excess over \$531,500</u>
T174	<u>Over \$1,062,500</u>	<u>\$63,850, plus 6.75% of the</u>
T175		<u>excess over \$1,062,500</u>

556 (B) For any person who files a return under the federal income tax
 557 for such taxable year as a head of household, as defined in Section 2(b)
 558 of the Internal Revenue Code:

T176	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T177	<u>Not over \$16,000</u>	<u>3.0%</u>
T178	<u>Over \$16,000</u>	<u>\$480.00, plus 5.0% of the</u>
T179	<u>but not over \$396,000</u>	<u>excess over \$16,000</u>
T180	<u>Over \$396,000</u>	<u>\$19,480, plus 6.0% of the</u>
T181	<u>but not over \$594,000</u>	<u>excess over \$396,000</u>
T182	<u>Over \$594,000</u>	<u>\$31,360, plus 6.25% of the</u>
T183	<u>but not over \$792,000</u>	<u>excess over \$594,000</u>
T184	<u>Over \$792,000</u>	<u>\$43,735, plus 6.50% of the</u>
T185	<u>but not over \$1,580,000</u>	<u>excess over \$792,000</u>
T186	<u>Over \$1,580,000</u>	<u>\$94,955, plus 6.75% of the</u>
T187		<u>excess over \$1,580,000</u>

559 (C) For any husband and wife who file a return under the federal
 560 income tax for such taxable year as married individuals filing jointly or
 561 any person who files a return under the federal income tax for such
 562 taxable year as a surviving spouse, as defined in Section 2(a) of the
 563 Internal Revenue Code:

T188	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T189	<u>Not over \$20,000</u>	<u>3.0%</u>
T190	<u>Over \$20,000</u>	<u>\$600.00, plus 5.0% of the</u>
T191	<u>but not over \$500,000</u>	<u>excess over \$20,000</u>
T192	<u>Over \$500,000</u>	<u>\$24,600, plus 6.0% of the</u>
T193	<u>but not over \$750,000</u>	<u>excess over \$500,000</u>
T194	<u>Over \$750,000</u>	<u>\$39,600, plus 6.25% of the</u>
T195	<u>but not over \$1,000,000</u>	<u>excess over \$750,000</u>
T196	<u>Over \$1,000,000</u>	<u>\$55,225, plus 6.50% of the</u>
T197	<u>but not over \$2,000,000</u>	<u>excess over \$1,000,000</u>
T198	<u>Over \$2,000,000</u>	<u>\$120,225, plus 6.75% of the</u>
T199		<u>excess over \$2,000,000</u>

564 (D) For any person who files a return under the federal income tax
 565 for such taxable year as a married individual filing separately:

T200	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T201	<u>Not over \$10,000</u>	<u>3.0%</u>
T202	<u>Over \$10,000</u>	<u>\$300.00, plus 5.0% of the</u>
T203	<u>but not over \$250,000</u>	<u>excess over \$10,000</u>
T204	<u>Over \$250,000</u>	<u>\$12,300, plus 6.0% of the</u>
T205	<u>but not over \$375,000</u>	<u>excess over \$250,000</u>
T206	<u>Over \$375,000</u>	<u>\$19,800, plus 6.25% of the</u>
T207	<u>but not over \$500,000</u>	<u>excess over \$375,000</u>
T208	<u>Over \$500,000</u>	<u>\$27,612.50, plus 6.50% of the</u>
T209	<u>but not over \$1,000,000</u>	<u>excess over \$500,000</u>
T210	<u>Over \$1,000,000</u>	<u>\$60,112.50, plus 6.75% of the</u>
T211		<u>excess over \$1,000,000</u>

566 Sec. 10. (*Effective from passage*) The Commissioner of Revenue
 567 Services shall adjust the withholding tables issued for purposes of
 568 administering the personal income tax imposed under chapter 229 of
 569 the general statutes to take account of any changes in such tax made by

570 this act and, on or before June 1, 2005, shall issue new withholding
571 tables applicable to taxable years commencing on or after January 1,
572 2005, provided the tables applicable to the period from March 1, 2005,
573 to June 30, 2005, shall provide for the collection of a tax computed in
574 such manner as to result, so far as practicable, in withholding from the
575 employee's wages during such period an amount substantially
576 equivalent to the tax reasonably estimated to be due from the
577 employee under said chapter 229 with respect to the amount of such
578 wages during a six-month period and further provided the tables
579 applicable to any period after June 30, 2005, shall be prepared as
580 provided in section 12-705 of the general statutes.

581 Sec. 11. (*Effective from passage*) Notwithstanding the provisions of
582 section 12-722 of the general statutes, any taxpayer required to make
583 an estimated payment in June, 2005, for the tax due under chapter 229
584 of the general statutes shall make such payment in an amount which is
585 adjusted for any change in the rate applicable to the current taxable
586 year, as provided in section 12-700 of the general statutes, as amended
587 by this act.

588 Sec. 12. (*Effective from passage*) Notwithstanding the provisions of
589 section 12-722 of the general statutes, the Commissioner of Revenue
590 Services may forgive any imposition of interest or penalties on an
591 underpayment of any estimated tax due during the taxable year
592 commencing on January 1, 2005, provided such underpayment is due
593 to the changes in tax rates made by this act. Such forgiveness of
594 interest or penalties shall not exempt any taxpayer from full payment
595 of all taxes due for the taxable year commencing on January 1, 2005.

596 Sec. 13. Subparagraph (B) of subdivision (20) of subsection (a) of
597 section 12-701 of the general statutes is repealed and the following is
598 substituted in lieu thereof (*Effective from passage and applicable for taxable*
599 *years commencing on or after January 1, 2008*):

600 (B) There shall be subtracted therefrom (i) to the extent properly
601 includable in gross income for federal income tax purposes, any
602 income with respect to which taxation by any state is prohibited by

603 federal law, (ii) to the extent allowable under section 12-718, exempt
604 dividends paid by a regulated investment company, (iii) the amount of
605 any refund or credit for overpayment of income taxes imposed by this
606 state, or any other state of the United States or a political subdivision
607 thereof, or the District of Columbia, to the extent properly includable
608 in gross income for federal income tax purposes, (iv) to the extent
609 properly includable in gross income for federal income tax purposes
610 and not otherwise subtracted from federal adjusted gross income
611 pursuant to clause (x) of this subparagraph in computing Connecticut
612 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
613 extent any additional allowance for depreciation under Section 168(k)
614 of the Internal Revenue Code, as provided by Section 101 of the Job
615 Creation and Worker Assistance Act of 2002, for property placed in
616 service after December 31, 2001, but prior to September 10, 2004, was
617 added to federal adjusted gross income pursuant to subparagraph (A)
618 (ix) of this subdivision in computing Connecticut adjusted gross
619 income for a taxable year ending after December 31, 2001, twenty-five
620 per cent of such additional allowance for depreciation in each of the
621 four succeeding taxable years, (vi) to the extent properly includable in
622 gross income for federal income tax purposes, any interest income
623 from obligations issued by or on behalf of the state of Connecticut, any
624 political subdivision thereof, or public instrumentality, state or local
625 authority, district or similar public entity created under the laws of the
626 state of Connecticut, (vii) to the extent properly includable in
627 determining the net gain or loss from the sale or other disposition of
628 capital assets for federal income tax purposes, any gain from the sale
629 or exchange of obligations issued by or on behalf of the state of
630 Connecticut, any political subdivision thereof, or public
631 instrumentality, state or local authority, district or similar public entity
632 created under the laws of the state of Connecticut, in the income year
633 such gain was recognized, (viii) any interest on indebtedness incurred
634 or continued to purchase or carry obligations or securities the interest
635 on which is subject to tax under this chapter but exempt from federal
636 income tax, to the extent that such interest on indebtedness is not
637 deductible in determining federal adjusted gross income and is

638 attributable to a trade or business carried on by such individual, (ix)
639 ordinary and necessary expenses paid or incurred during the taxable
640 year for the production or collection of income which is subject to
641 taxation under this chapter but exempt from federal income tax, or the
642 management, conservation or maintenance of property held for the
643 production of such income, and the amortizable bond premium for the
644 taxable year on any bond the interest on which is subject to tax under
645 this chapter but exempt from federal income tax, to the extent that
646 such expenses and premiums are not deductible in determining federal
647 adjusted gross income and are attributable to a trade or business
648 carried on by such individual, (x) (I) for a person who files a return
649 under the federal income tax as an unmarried individual whose
650 federal adjusted gross income for such taxable year is less than fifty
651 thousand dollars, or as a married individual filing separately whose
652 federal adjusted gross income for such taxable year is less than fifty
653 thousand dollars, or for a husband and wife who file a return under
654 the federal income tax as married individuals filing jointly whose
655 federal adjusted gross income for such taxable year is less than sixty
656 thousand dollars or a person who files a return under the federal
657 income tax as a head of household whose federal adjusted gross
658 income for such taxable year is less than sixty thousand dollars, an
659 amount equal to the Social Security benefits includable for federal
660 income tax purposes; and (II) for a person who files a return under the
661 federal income tax as an unmarried individual whose federal adjusted
662 gross income for such taxable year is fifty thousand dollars or more, or
663 as a married individual filing separately whose federal adjusted gross
664 income for such taxable year is fifty thousand dollars or more, or for a
665 husband and wife who file a return under the federal income tax as
666 married individuals filing jointly whose federal adjusted gross income
667 from such taxable year is sixty thousand dollars or more or for a
668 person who files a return under the federal income tax as a head of
669 household whose federal adjusted gross income for such taxable year
670 is sixty thousand dollars or more, an amount equal to the difference
671 between the amount of Social Security benefits includable for federal
672 income tax purposes and the lesser of twenty-five per cent of the Social

673 Security benefits received during the taxable year, or twenty-five per
674 cent of the excess described in Section 86(b)(1) of the Internal Revenue
675 Code, (xi) to the extent properly includable in gross income for federal
676 income tax purposes, any amount rebated to a taxpayer pursuant to
677 section 12-746, (xii) to the extent properly includable in the gross
678 income for federal income tax purposes of a designated beneficiary,
679 any distribution to such beneficiary from any qualified state tuition
680 program, as defined in Section 529(b) of the Internal Revenue Code,
681 established and maintained by this state or any official, agency or
682 instrumentality of the state, (xiii) to the extent properly includable in
683 gross income for federal income tax purposes, the amount of any
684 Holocaust victims' settlement payment received in the taxable year by
685 a Holocaust victim, [and] (xiv) to the extent properly includable in
686 gross income for federal income tax purposes of an account holder, as
687 defined in section 31-51ww, interest earned on funds deposited in the
688 individual development account, as defined in section 31-51ww, of
689 such account holder, and (xv) to the extent properly included in gross
690 income for federal income tax purposes, fifty per cent of the income
691 received from the United States government as retirement pay for a
692 retired member of (I) the Armed Forces of the United States, as defined
693 in Section 101 of Title 10 of the United States Code, or (II) the National
694 Guard, as defined in Section 101 of Title 10 of the United States Code.

695 Sec. 14. Subdivision (24) of subsection (a) of section 12-701 of the
696 general statutes is repealed and the following is substituted in lieu
697 thereof (*Effective from passage and applicable for taxable years commencing*
698 *on or after January 1, 2008*):

699 (24) "Adjusted federal tentative minimum tax" of an individual
700 means such individual's federal tentative minimum tax or, in the case
701 of an individual whose Connecticut adjusted gross income includes
702 modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi),
703 (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section
704 or subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix),
705 (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of
706 this section, as amended by this act, the amount that would have been

707 the federal tentative minimum tax if such tax were calculated by
708 including, to the extent not includable in federal alternative minimum
709 taxable income, the modifications described in subparagraph (A)(i),
710 (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of
711 subsection (a) of this section, by excluding, to the extent includable in
712 federal alternative minimum taxable income, the modifications
713 described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii),
714 (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection
715 (a) of this section, as amended by this act, and by excluding, to the
716 extent includable in federal alternative minimum taxable income, the
717 amount of any interest income or exempt-interest dividends, as
718 defined in Section 852(b)(5) of the Internal Revenue Code, from
719 obligations that are issued by or on behalf of the state of Connecticut,
720 any political subdivision thereof, or public instrumentality, state or
721 local authority, district, or similar public entity that is created under
722 the laws of the state of Connecticut, or from obligations that are issued
723 by or on behalf of any territory or possession of the United States, any
724 political subdivision of such territory or possession, or public
725 instrumentality, authority, district or similar public entity of such
726 territory or possession, the income with respect to which taxation by
727 any state is prohibited by federal law. If such individual is a
728 beneficiary of a trust or estate, then, in calculating his or her federal
729 tentative minimum tax, his or her federal alternative taxable income
730 shall be increased or decreased, as the case may be, by the net amount
731 of such individual's proportionate share of the Connecticut fiduciary
732 adjustment relating to modifications that are described in, to the extent
733 not includable in federal alternative minimum taxable income,
734 subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of
735 subdivision (20) of subsection (a) of this section, or, to the extent
736 includable in federal alternative minimum taxable income,
737 subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix),
738 (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of
739 this section, as amended by this act.

740 Sec. 15. Subdivision (30) of subsection (a) of section 12-701 of the
741 general statutes is repealed and the following is substituted in lieu

742 thereof (*Effective from passage and applicable for taxable years commencing*
743 *on or after January 1, 2008*):

744 (30) "Adjusted federal alternative minimum taxable income" of an
745 individual means his or her federal alternative minimum taxable
746 income or, in the case of an individual whose Connecticut adjusted
747 gross income includes modifications described in subparagraph (A)(i),
748 (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of
749 subsection (a) of this section or subparagraph (B)(i), (B)(ii), (B)(v),
750 (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of
751 subdivision (20) of subsection (a) of this section, as amended by this
752 act, the amount that would have been the federal alternative minimum
753 taxable income if such amount were calculated by including, to the
754 extent not includable in federal alternative minimum taxable income,
755 the modifications described in subparagraph (A)(i), (A)(ii), (A)(v),
756 (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this
757 section, by excluding, to the extent includable in federal alternative
758 minimum taxable income, the modifications described in
759 subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix),
760 (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of
761 this section, as amended by this act, and by excluding, to the extent
762 includable in federal alternative minimum taxable income, the amount
763 of any interest income or exempt-interest dividends, as defined in
764 Section 852(b)(5) of the Internal Revenue Code, from obligations that
765 are issued by or on behalf of the state of Connecticut, any political
766 subdivision thereof, or public instrumentality, state or local authority,
767 district, or similar public entity that is created under the laws of the
768 state of Connecticut, or from obligations that are issued by or on behalf
769 of any territory or possession of the United States, any political
770 subdivision of such territory or possession, or public instrumentality,
771 authority, district or similar public entity of such territory or
772 possession, the income with respect to which taxation by any state is
773 prohibited by federal law. If such individual is a beneficiary of a trust
774 or estate, then, for purposes of calculating his or her adjusted federal
775 alternative minimum taxable income, his or her federal alternative
776 minimum taxable income shall also be increased or decreased, as the

777 case may be, by the net amount of such individual's proportionate
778 share of the Connecticut fiduciary adjustment relating to modifications
779 to the extent not includable in federal alternative minimum taxable
780 income, that are described in subparagraph (A)(i), (A)(ii), (A)(v),
781 (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this
782 section or to the extent includable in federal alternative minimum
783 taxable income, subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii),
784 (B)(viii), (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of
785 subsection (a) of this section, as amended by this act.

786 Sec. 16. Subsection (a) of section 12-702 of the general statutes is
787 repealed and the following is substituted in lieu thereof (*Effective from*
788 *passage and applicable to taxable years commencing on or after January 1,*
789 *2005*):

790 (a) (1) (A) Any person, other than a trust or estate, subject to the tax
791 under this chapter for any taxable year who files under the federal
792 income tax for such taxable year as a married individual filing
793 separately or, for taxable years commencing prior to January 1, 2000,
794 who files income tax for such taxable year as an unmarried individual
795 shall be entitled to a personal exemption of twelve thousand dollars in
796 determining Connecticut taxable income for purposes of this chapter.

797 (B) In the case of any such taxpayer whose Connecticut adjusted
798 gross income for the taxable year exceeds twenty-four thousand
799 dollars, the exemption amount shall be reduced by one thousand
800 dollars for each one thousand dollars, or fraction thereof, by which the
801 taxpayer's Connecticut adjusted gross income for the taxable year
802 exceeds said amount. In no event shall the reduction exceed one
803 hundred per cent of the exemption.

804 (2) For taxable years commencing on or after January 1, 2000, any
805 person, other than a trust or estate, subject to the tax under this chapter
806 for any taxable year who files under the federal income tax for such
807 taxable year as an unmarried individual shall be entitled to a personal
808 exemption in determining Connecticut taxable income for purposes of
809 this chapter as follows:

810 (A) For taxable years commencing on or after January 1, 2000, but
811 prior to January 1, 2001, twelve thousand two hundred fifty dollars. In
812 the case of any such taxpayer whose Connecticut adjusted gross
813 income for the taxable year exceeds twenty-four thousand five
814 hundred dollars, the exemption amount shall be reduced by one
815 thousand dollars for each one thousand dollars, or fraction thereof, by
816 which the taxpayer's Connecticut adjusted gross income for the taxable
817 year exceeds said amount. In no event shall the reduction exceed one
818 hundred per cent of the exemption;

819 (B) For taxable years commencing on or after January 1, 2001, but
820 prior to January 1, 2004, twelve thousand five hundred dollars. In the
821 case of any such taxpayer whose Connecticut adjusted gross income
822 for the taxable year exceeds twenty-five thousand dollars, the
823 exemption amount shall be reduced by one thousand dollars for each
824 one thousand dollars, or fraction thereof, by which the taxpayer's
825 Connecticut adjusted gross income for the taxable year exceeds said
826 amount. In no event shall the reduction exceed one hundred per cent
827 of the exemption;

828 (C) For taxable years commencing on or after January 1, 2004, but
829 prior to January 1, [2005] 2007, twelve thousand six hundred twenty-
830 five dollars. In the case of any such taxpayer whose Connecticut
831 adjusted gross income for the taxable year exceeds twenty-five
832 thousand two hundred fifty dollars, the exemption amount shall be
833 reduced by one thousand dollars for each one thousand dollars, or
834 fraction thereof, by which the taxpayer's Connecticut adjusted gross
835 income for the taxable year exceeds said amount. In no event shall the
836 reduction exceed one hundred per cent of the exemption;

837 (D) For taxable years commencing on or after January 1, [2005] 2007,
838 but prior to January 1, [2006] 2008, twelve thousand seven hundred
839 fifty dollars. In the case of any such taxpayer whose Connecticut
840 adjusted gross income for the taxable year exceeds twenty-five
841 thousand five hundred dollars, the exemption amount shall be
842 reduced by one thousand dollars for each one thousand dollars, or

843 fraction thereof, by which the taxpayer's Connecticut adjusted gross
844 income for the taxable year exceeds said amount. In no event shall the
845 reduction exceed one hundred per cent of the exemption;

846 (E) For taxable years commencing on or after January 1, [2006] 2008,
847 but prior to January 1, [2007] 2009, thirteen thousand dollars. In the
848 case of any such taxpayer whose Connecticut adjusted gross income
849 for the taxable year exceeds twenty-six thousand dollars, the
850 exemption amount shall be reduced by one thousand dollars for each
851 one thousand dollars, or fraction thereof, by which the taxpayer's
852 Connecticut adjusted gross income for the taxable year exceeds said
853 amount. In no event shall the reduction exceed one hundred per cent
854 of the exemption;

855 (F) For taxable years commencing on or after January 1, [2007] 2009,
856 but prior to January 1, [2008] 2010, thirteen thousand five hundred
857 dollars. In the case of any such taxpayer whose Connecticut adjusted
858 gross income for the taxable year exceeds twenty-seven thousand
859 dollars, the exemption amount shall be reduced by one thousand
860 dollars for each one thousand dollars, or fraction thereof, by which the
861 taxpayer's Connecticut adjusted gross income for the taxable year
862 exceeds said amount. In no event shall the reduction exceed one
863 hundred per cent of the exemption;

864 (G) For taxable years commencing on or after January 1, [2008] 2010,
865 but prior to January 1, [2009] 2011, fourteen thousand dollars. In the
866 case of any such taxpayer whose Connecticut adjusted gross income
867 for the taxable year exceeds twenty-eight thousand dollars, the
868 exemption amount shall be reduced by one thousand dollars for each
869 one thousand dollars, or fraction thereof, by which the taxpayer's
870 Connecticut adjusted gross income for the taxable year exceeds said
871 amount. In no event shall the reduction exceed one hundred per cent
872 of the exemption;

873 (H) For taxable years commencing on or after January 1, [2009] 2011,
874 but prior to January 1, [2010] 2012, fourteen thousand five hundred
875 dollars. In the case of any such taxpayer whose Connecticut adjusted

876 gross income for the taxable year exceeds twenty-nine thousand
 877 dollars, the exemption amount shall be reduced by one thousand
 878 dollars for each one thousand dollars, or fraction thereof, by which the
 879 taxpayer's Connecticut adjusted gross income for the taxable year
 880 exceeds said amount. In no event shall the reduction exceed one
 881 hundred per cent of the exemption;

882 (I) For taxable years commencing on or after January 1, [2010] 2012,
 883 fifteen thousand dollars. In the case of any such taxpayer whose
 884 Connecticut adjusted gross income for the taxable year exceeds thirty
 885 thousand dollars, the exemption amount shall be reduced by one
 886 thousand dollars for each one thousand dollars, or fraction thereof, by
 887 which the taxpayer's Connecticut adjusted gross income for the taxable
 888 year exceeds said amount. In no event shall the reduction exceed one
 889 hundred per cent of the exemption.

890 Sec. 17. Subparagraphs (C) to (I), inclusive, of subdivision (2) of
 891 subsection (a) of section 12-703 of the general statutes are repealed and
 892 the following is substituted in lieu thereof (*Effective from passage and*
 893 *applicable to taxable years commencing on or after January 1, 2005*):

894 (C) For taxable years commencing on or after January 1, 2004, but
 895 prior to January 1, [2005] 2007:

T212	Connecticut	
T213	Adjusted Gross Income	Amount of Credit
T214	Over \$12,625 but	
T215	not over \$15,750	75%
T216	Over \$15,750 but	
T217	not over \$16,250	70%
T218	Over \$16,250 but	
T219	not over \$16,750	65%
T220	Over \$16,750 but	
T221	not over \$17,250	60%
T222	Over \$17,250 but	
T223	not over \$17,750	55%

T224	Over \$17,750 but	
T225	not over \$18,250	50%
T226	Over \$18,250 but	
T227	not over \$18,750	45%
T228	Over \$18,750 but	
T229	not over \$19,250	40%
T230	Over \$19,250 but	
T231	not over \$21,050	35%
T232	Over \$21,050 but	
T233	not over \$21,550	30%
T234	Over \$21,550 but	
T235	not over \$22,050	25%
T236	Over \$22,050 but	
T237	not over \$22,550	20%
T238	Over \$22,550 but	
T239	not over \$26,300	15%
T240	Over \$26,300 but	
T241	not over \$26,800	14%
T242	Over \$26,800 but	
T243	not over \$27,300	13%
T244	Over \$27,300 but	
T245	not over \$27,800	12%
T246	Over \$27,800 but	
T247	not over \$28,300	11%
T248	Over \$28,300 but	
T249	not over \$50,500	10%
T250	Over \$50,500 but	
T251	not over \$51,000	9%
T252	Over \$51,000 but	
T253	not over \$51,500	8%
T254	Over \$51,500 but	
T255	not over \$52,000	7%
T256	Over \$52,000 but	
T257	not over \$52,500	6%
T258	Over \$52,500 but	

T259	not over \$53,000	5%
T260	Over \$53,000 but	
T261	not over \$53,500	4%
T262	Over \$53,500 but	
T263	not over \$54,000	3%
T264	Over \$54,000 but	
T265	not over \$54,500	2%
T266	Over \$54,500 but	
T267	not over \$55,000	1%

896 (D) For taxable years commencing on or after January 1, [2005] 2007,
897 but prior to January 1, [2006] 2008:

T268	Connecticut	
T269	Adjusted Gross Income	Amount of Credit
T270	Over \$12,750 but	
T271	not over \$15,900	75%
T272	Over \$15,900 but	
T273	not over \$16,400	70%
T274	Over \$16,400 but	
T275	not over \$16,900	65%
T276	Over \$16,900 but	
T277	not over \$17,400	60%
T278	Over \$17,400 but	
T279	not over \$17,900	55%
T280	Over \$17,900 but	
T281	not over \$18,400	50%
T282	Over \$18,400 but	
T283	not over \$18,900	45%
T284	Over \$18,900 but	
T285	not over \$19,400	40%
T286	Over \$19,400 but	
T287	not over \$21,300	35%
T288	Over \$21,300 but	
T289	not over \$21,800	30%

T290	Over \$21,800 but	
T291	not over \$22,300	25%
T292	Over \$22,300 but	
T293	not over \$22,800	20%
T294	Over \$22,800 but	
T295	not over \$26,600	15%
T296	Over \$26,600 but	
T297	not over \$27,100	14%
T298	Over \$27,100 but	
T299	not over \$27,600	13%
T300	Over \$27,600 but	
T301	not over \$28,100	12%
T302	Over \$28,100 but	
T303	not over \$28,600	11%
T304	Over \$28,600 but	
T305	not over \$51,000	10%
T306	Over \$51,000 but	
T307	not over \$51,500	9%
T308	Over \$51,500 but	
T309	not over \$52,000	8%
T310	Over \$52,000 but	
T311	not over \$52,500	7%
T312	Over \$52,500 but	
T313	not over \$53,000	6%
T314	Over \$53,000 but	
T315	not over \$53,500	5%
T316	Over \$53,500 but	
T317	not over \$54,000	4%
T318	Over \$54,000 but	
T319	not over \$54,500	3%
T320	Over \$54,500 but	
T321	not over \$55,000	2%
T322	Over \$55,000 but	
T323	not over \$55,500	1%

898 (E) For taxable years commencing on or after January 1, [2006] 2008,
 899 but prior to January 1, [2007] 2009:

T324	Connecticut	
T325	Adjusted Gross Income	Amount of Credit
T326	Over \$13,000 but	
T327	not over \$16,300	75%
T328	Over \$16,300 but	
T329	not over \$16,800	70%
T330	Over \$16,800 but	
T331	not over \$17,300	65%
T332	Over \$17,300 but	
T333	not over \$17,800	60%
T334	Over \$17,800 but	
T335	not over \$18,300	55%
T336	Over \$18,300 but	
T337	not over \$18,800	50%
T338	Over \$18,800 but	
T339	not over \$19,300	45%
T340	Over \$19,300 but	
T341	not over \$19,800	40%
T342	Over \$19,800 but	
T343	not over \$21,700	35%
T344	Over \$21,700 but	
T345	not over \$22,200	30%
T346	Over \$22,200 but	
T347	not over \$22,700	25%
T348	Over \$22,700 but	
T349	not over \$23,200	20%
T350	Over \$23,200 but	
T351	not over \$27,100	15%
T352	Over \$27,100 but	
T353	not over \$27,600	14%
T354	Over \$27,600 but	
T355	not over \$28,100	13%

T356	Over \$28,100 but	
T357	not over \$28,600	12%
T358	Over \$28,600 but	
T359	not over \$29,100	11%
T360	Over \$29,100 but	
T361	not over \$52,000	10%
T362	Over \$52,000 but	
T363	not over \$52,500	9%
T364	Over \$52,500 but	
T365	not over \$53,000	8%
T366	Over \$53,000 but	
T367	not over \$53,500	7%
T368	Over \$53,500 but	
T369	not over \$54,000	6%
T370	Over \$54,000 but	
T371	not over \$54,500	5%
T372	Over \$54,500 but	
T373	not over \$55,000	4%
T374	Over \$55,000 but	
T375	not over \$55,500	3%
T376	Over \$55,500 but	
T377	not over \$56,000	2%
T378	Over \$56,000 but	
T379	not over \$56,500	1%

900 (F) For taxable years commencing on or after January 1, [2007] 2009,
 901 but prior to January 1, [2008] 2010:

T380	Connecticut	
T381	Adjusted Gross Income	Amount Of Credit
T382	Over \$13,500 but	
T383	not over \$16,900	75%
T384	Over \$16,900 but	
T385	not over \$17,400	70%
T386	Over \$17,400 but	

T387	not over \$17,900	65%
T388	Over \$17,900 but	
T389	not over \$18,400	60%
T390	Over \$18,400 but	
T391	not over \$18,900	55%
T392	Over \$18,900 but	
T393	not over \$19,400	50%
T394	Over \$19,400 but	
T395	not over \$19,900	45%
T396	Over \$19,900 but	
T397	not over \$20,400	40%
T398	Over \$20,400 but	
T399	not over \$22,500	35%
T400	Over \$22,500 but	
T401	not over \$23,000	30%
T402	Over \$23,000 but	
T403	not over \$23,500	25%
T404	Over \$23,500 but	
T405	not over \$24,000	20%
T406	Over \$24,000 but	
T407	not over \$28,100	15%
T408	Over \$28,100 but	
T409	not over \$28,600	14%
T410	Over \$28,600 but	
T411	not over \$29,100	13%
T412	Over \$29,100 but	
T413	not over \$29,600	12%
T414	Over \$29,600 but	
T415	not over \$30,100	11%
T416	Over \$30,100 but	
T417	not over \$54,000	10%
T418	Over \$54,000 but	
T419	not over \$54,500	9%
T420	Over \$54,500 but	
T421	not over \$55,000	8%

T422	Over \$55,000 but	
T423	not over \$55,500	7%
T424	Over \$55,500 but	
T425	not over \$56,000	6%
T426	Over \$56,000 but	
T427	not over \$56,500	5%
T428	Over \$56,500 but	
T429	not over \$57,000	4%
T430	Over \$57,000 but	
T431	not over \$57,500	3%
T432	Over \$57,500 but	
T433	not over \$58,000	2%
T434	Over \$58,000 but	
T435	not over \$58,500	1%

902 (G) For taxable years commencing on or after January 1, [2008] 2010,
 903 but prior to January 1, [2009] 2011:

T436	Connecticut	
T437	Adjusted Gross Income	Amount of Credit
T438	Over \$14,000 but	
T439	not over \$17,500	75%
T440	Over \$17,500 but	
T441	not over \$18,000	70%
T442	Over \$18,000 but	
T443	not over \$18,500	65%
T444	Over \$18,500 but	
T445	not over \$19,000	60%
T446	Over \$19,000 but	
T447	not over \$19,500	55%
T448	Over \$19,500 but	
T449	not over \$20,000	50%
T450	Over \$20,000 but	
T451	not over \$20,500	45%

T452	Over \$20,500 but	
T453	not over \$21,000	40%
T454	Over \$21,000 but	
T455	not over \$23,300	35%
T456	Over \$23,300 but	
T457	not over \$23,800	30%
T458	Over \$23,800 but	
T459	not over \$24,300	25%
T460	Over \$24,300 but	
T461	not over \$24,800	20%
T462	Over \$24,800 but	
T463	not over \$29,200	15%
T464	Over \$29,200 but	
T465	not over \$29,700	14%
T466	Over \$29,700 but	
T467	not over \$30,200	13%
T468	Over \$30,200 but	
T469	not over \$30,700	12%
T470	Over \$30,700 but	
T471	not over \$31,200	11%
T472	Over \$31,200 but	
T473	not over \$56,000	10%
T474	Over \$56,000 but	
T475	not over \$56,500	9%
T476	Over \$56,500 but	
T477	not over \$57,000	8%
T478	Over \$57,000 but	
T479	not over \$57,500	7%
T480	Over \$57,500 but	
T481	not over \$58,000	6%
T482	Over \$58,000 but	
T483	not over \$58,500	5%
T484	Over \$58,500 but	
T485	not over \$59,000	4%
T486	Over \$59,000 but	

T487	not over \$59,500	3%
T488	Over \$59,500 but	
T489	not over \$60,000	2%
T490	Over \$60,000 but	
T491	not over \$60,500	1%

904 (H) For taxable years commencing on or after January 1, [2009] 2011,
 905 but prior to January 1, [2010] 2012:

T492	Connecticut	
T493	Adjusted Gross Income	Amount of Credit
T494	Over \$14,500 but	
T495	not over \$18,100	75%
T496	Over \$18,100 but	
T497	not over \$18,600	70%
T498	Over \$18,600 but	
T499	not over \$19,100	65%
T500	Over \$19,100 but	
T501	not over \$19,600	60%
T502	Over \$19,600 but	
T503	not over \$20,100	55%
T504	Over \$20,100 but	
T505	not over \$20,600	50%
T506	Over \$20,600 but	
T507	not over \$21,100	45%
T508	Over \$21,100 but	
T509	not over \$21,600	40%
T510	Over \$21,600 but	
T511	not over \$24,200	35%
T512	Over \$24,200 but	
T513	not over \$24,700	30%
T514	Over \$24,700 but	
T515	not over \$25,200	25%
T516	Over \$25,200 but	
T517	not over \$25,700	20%

T518	Over \$25,700 but	
T519	not over \$30,200	15%
T520	Over \$30,200 but	
T521	not over \$30,700	14%
T522	Over \$30,700 but	
T523	not over \$31,200	13%
T524	Over \$31,200 but	
T525	not over \$31,700	12%
T526	Over \$31,700 but	
T527	not over \$32,200	11%
T528	Over \$32,200 but	
T529	not over \$58,000	10%
T530	Over \$58,000 but	
T531	not over \$58,500	9%
T532	Over \$58,500 but	
T533	not over \$59,000	8%
T534	Over \$59,000 but	
T535	not over \$59,500	7%
T536	Over \$59,500 but	
T537	not over \$60,000	6%
T538	Over \$60,000 but	
T539	not over \$60,500	5%
T540	Over \$60,500 but	
T541	not over \$61,000	4%
T542	Over \$61,000 but	
T543	not over \$61,500	3%
T544	Over \$61,500 but	
T545	not over \$62,000	2%
T546	Over \$62,000 but	
T547	not over \$62,500	1%

906 (I) For taxable years commencing on or after January 1, [2010] 2012:

T548	Connecticut	
T549	Adjusted Gross Income	Amount of Credit

T550	Over \$15,000 but	
T551	not over \$18,800	75%
T552	Over \$18,800 but	
T553	not over \$19,300	70%
T554	Over \$19,300 but	
T555	not over \$19,800	65%
T556	Over \$19,800 but	
T557	not over \$20,300	60%
T558	Over \$20,300 but	
T559	not over \$20,800	55%
T560	Over \$20,800 but	
T561	not over \$21,300	50%
T562	Over \$21,300 but	
T563	not over \$21,800	45%
T564	Over \$21,800 but	
T565	not over \$22,300	40%
T566	Over \$22,300 but	
T567	not over \$25,000	35%
T568	Over \$25,000 but	
T569	not over \$25,500	30%
T570	Over \$25,500 but	
T571	not over \$26,000	25%
T572	Over \$26,000 but	
T573	not over \$26,500	20%
T574	Over \$26,500 but	
T575	not over \$31,300	15%
T576	Over \$31,300 but	
T577	not over \$31,800	14%
T578	Over \$31,800 but	
T579	not over \$32,300	13%
T580	Over \$32,300 but	
T581	not over \$32,800	12%
T582	Over \$32,800 but	
T583	not over \$33,300	11%
T584	Over \$33,300 but	

T585	not over \$60,000	10%
T586	Over \$60,000 but	
T587	not over \$60,500	9%
T588	Over \$60,500 but	
T589	not over \$61,000	8%
T590	Over \$61,000 but	
T591	not over \$61,500	7%
T592	Over \$61,500 but	
T593	not over \$62,000	6%
T594	Over \$62,000 but	
T595	not over \$62,500	5%
T596	Over \$62,500 but	
T597	not over \$63,000	4%
T598	Over \$63,000 but	
T599	not over \$63,500	3%
T600	Over \$63,500 but	
T601	not over \$64,000	2%
T602	Over \$64,000 but	
T603	not over \$64,500	1%

907 Sec. 18. Subsection (c) of section 12-704c of the general statutes is
 908 repealed and the following is substituted in lieu thereof (*Effective from*
 909 *passage and applicable to taxable years commencing on or after January 1,*
 910 *2005*):

911 (c) (1) (A) For taxable years commencing prior to January 1, 2000, in
 912 the case of any such taxpayer who files under the federal income tax
 913 for such taxable year as an unmarried individual whose Connecticut
 914 adjusted gross income exceeds fifty-two thousand five hundred
 915 dollars, the amount of the credit that exceeds one hundred dollars shall
 916 be reduced by ten per cent for each ten thousand dollars, or fraction
 917 thereof, by which the taxpayer's Connecticut adjusted gross income
 918 exceeds said amount.

919 (B) For taxable years commencing on or after January 1, 2000, but
 920 prior to January 1, 2001, in the case of any such taxpayer who files

921 under the federal income tax for such taxable year as an unmarried
922 individual whose Connecticut adjusted gross income exceeds fifty-
923 three thousand five hundred dollars, the amount of the credit that
924 exceeds one hundred dollars shall be reduced by ten per cent for each
925 ten thousand dollars, or fraction thereof, by which the taxpayer's
926 Connecticut adjusted gross income exceeds said amount.

927 (C) For taxable years commencing on or after January 1, 2001, but
928 prior to January 1, 2004, in the case of any such taxpayer who files
929 under the federal income tax for such taxable year as an unmarried
930 individual whose Connecticut adjusted gross income exceeds fifty-four
931 thousand five hundred dollars, the amount of the credit shall be
932 reduced by ten per cent for each ten thousand dollars, or fraction
933 thereof, by which the taxpayer's Connecticut adjusted gross income
934 exceeds said amount.

935 (D) For taxable years commencing on or after January 1, 2004, but
936 prior to January 1, [2005] 2007, in the case of any such taxpayer who
937 files under the federal income tax for such taxable year as an
938 unmarried individual whose Connecticut adjusted gross income
939 exceeds fifty-five thousand dollars, the amount of the credit shall be
940 reduced by ten per cent for each ten thousand dollars, or fraction
941 thereof, by which the taxpayer's Connecticut adjusted gross income
942 exceeds said amount.

943 (E) For taxable years commencing on or after January 1, [2005] 2007,
944 but prior to January 1, [2006] 2008, in the case of any such taxpayer
945 who files under the federal income tax for such taxable year as an
946 unmarried individual whose Connecticut adjusted gross income
947 exceeds fifty-five thousand five hundred dollars, the amount of the
948 credit shall be reduced by ten per cent for each ten thousand dollars, or
949 fraction thereof, by which the taxpayer's Connecticut adjusted gross
950 income exceeds said amount.

951 (F) For taxable years commencing on or after January 1, [2006] 2008,
952 but prior to January 1, [2007] 2009, in the case of any such taxpayer
953 who files under the federal income tax for such taxable year as an

954 unmarried individual whose Connecticut adjusted gross income
955 exceeds fifty-six thousand five hundred dollars, the amount of the
956 credit shall be reduced by ten per cent for each ten thousand dollars, or
957 fraction thereof, by which the taxpayer's Connecticut adjusted gross
958 income exceeds said amount.

959 (G) For taxable years commencing on or after January 1, [2007] 2009,
960 but prior to January 1, [2008] 2010, in the case of any such taxpayer
961 who files under the federal income tax for such taxable year as an
962 unmarried individual whose Connecticut adjusted gross income
963 exceeds fifty-eight thousand five hundred dollars, the amount of the
964 credit shall be reduced by ten per cent for each ten thousand dollars, or
965 fraction thereof, by which the taxpayer's Connecticut adjusted gross
966 income exceeds said amount.

967 (H) For taxable years commencing on or after January 1, [2008] 2010,
968 but prior to January 1, [2009] 2011, in the case of any such taxpayer
969 who files under the federal income tax for such taxable year as an
970 unmarried individual whose Connecticut adjusted gross income
971 exceeds sixty thousand five hundred dollars, the amount of the credit
972 shall be reduced by ten per cent for each ten thousand dollars, or
973 fraction thereof, by which the taxpayer's Connecticut adjusted gross
974 income exceeds said amount.

975 (I) For taxable years commencing on or after January 1, [2009] 2011,
976 but prior to January 1, [2010] 2012, in the case of any such taxpayer
977 who files under the federal income tax for such taxable year as an
978 unmarried individual whose Connecticut adjusted gross income
979 exceeds sixty-two thousand five hundred dollars, the amount of the
980 credit shall be reduced by ten per cent for each ten thousand dollars, or
981 fraction thereof, by which the taxpayer's Connecticut adjusted gross
982 income exceeds said amount.

983 (J) For taxable years commencing on or after January 1, [2010] 2012,
984 in the case of any such taxpayer who files under the federal income tax
985 for such taxable year as an unmarried individual whose Connecticut
986 adjusted gross income exceeds sixty-four thousand five hundred

987 dollars, the amount of the credit shall be reduced by ten per cent for
988 each ten thousand dollars, or fraction thereof, by which the taxpayer's
989 Connecticut adjusted gross income exceeds said amount.

990 (2) In the case of any such taxpayer who files under the federal
991 income tax for such taxable year as a married individual filing
992 separately whose Connecticut adjusted gross income exceeds fifty
993 thousand two hundred fifty dollars, the amount of the credit shall be
994 reduced by ten per cent for each five thousand dollars, or fraction
995 thereof, by which the taxpayer's Connecticut adjusted gross income
996 exceeds said amount.

997 (3) In the case of a taxpayer who files under the federal income tax
998 for such taxable year as a head of household whose Connecticut
999 adjusted gross income exceeds seventy-eight thousand five hundred
1000 dollars, the amount of the credit shall be reduced by ten per cent for
1001 each ten thousand dollars or fraction thereof, by which the taxpayer's
1002 Connecticut adjusted gross income exceeds said amount.

1003 (4) In the case of a taxpayer who files under federal income tax for
1004 such taxable year as married individuals filing jointly whose
1005 Connecticut adjusted gross income exceeds one hundred thousand five
1006 hundred dollars, the amount of the credit shall be reduced by ten per
1007 cent for each ten thousand dollars, or fraction thereof, by which the
1008 taxpayer's Connecticut adjusted gross income exceeds said amount.

1009 Sec. 19. Section 12-217z of the general statutes is repealed and the
1010 following is substituted in lieu thereof (*Effective July 1, 2005*):

1011 (a) There is established a [Corporation] Business Tax Credit Review
1012 Committee which shall be comprised of the following members: (1)
1013 The chairpersons and ranking members of the joint standing
1014 committee of the General Assembly having cognizance of matters
1015 relating to finance, revenue and bonding, or their designees; [(2) one
1016 member appointed by each of the following: The Governor, the
1017 president pro tempore of the Senate, the speaker of the House of
1018 Representatives, the majority leader of the Senate, the majority leader

1019 of the House of Representatives, the minority leader of the House of
1020 Representatives and the minority leader of the Senate;] (2) (A) a
1021 representative from the business community appointed by the
1022 president pro tempore of the Senate, (B) a representative from a
1023 municipal organization appointed by the speaker of the House of
1024 Representatives, (C) a representative from a labor organization
1025 appointed by the majority leader of the Senate, (D) an attorney
1026 specializing in taxation appointed by the majority leader of the House
1027 of Representatives, (E) an accountant specializing in taxation
1028 appointed by the minority leader of the Senate, and (F) an economist
1029 appointed by the minority leader of the House of Representatives; and
1030 (3) the Commissioners of Revenue Services and Economic and
1031 Community Development, or their designees.

1032 (b) The chairpersons of the joint standing committee of the General
1033 Assembly having cognizance of matters relating to finance, revenue
1034 and bonding shall be the chairpersons of the Business Tax Credit
1035 Review Committee. The Business Tax Credit Review Committee shall
1036 meet not less than twice a year, and at such other times as the
1037 chairpersons deem necessary.

1038 [(b)] (c) The committee shall study and evaluate all the existing
1039 credits against the corporation business tax. The study shall include,
1040 but is not limited to, consideration of the following with respect to
1041 each credit: (1) Has the credit provided a benefit to the state in terms of
1042 measurable economic development, new investments in the state, new
1043 jobs or retention of existing jobs, or measurable benefits for the
1044 workforce in the state; (2) is there sufficient justification to continue the
1045 credit as it currently exists or is it obsolete; (3) could the credit be more
1046 efficiently administered as part of a broad-based credit; and (4) does
1047 the credit add unnecessary complexity in the application,
1048 administration and approval process for the credit. The committee
1049 shall also engage in an analysis of the history, rationale and estimated
1050 revenue loss as a result of each tax credit and shall recommend
1051 revisions necessary to change the tax by eliminating or changing any
1052 redundant, obsolete or unnecessary tax credit or any credit that is not

1053 providing a measurable benefit sufficient to justify any revenue loss to
1054 the state.

1055 (d) The committee shall study and evaluate the potential impact of
1056 (1) unitary filing systems, and (2) multifactor apportionment formulas.
1057 The committee shall review the experience of other states in the use of
1058 unitary filing and multifactor apportionment, and gather information
1059 on the benefits and disadvantages of such systems, including their
1060 reported impact on the growth of business, industry, employment and
1061 related sectors in the economy of such other states. A report of the
1062 committee's findings, with recommendations, if any, for further action,
1063 shall be reported in accordance with subsection (c) of this section.

1064 [(c)] (e) The [committee] Business Tax Credit Review Committee
1065 shall report [its] the findings and recommendations required pursuant
1066 to this section to the joint standing committee of the General Assembly
1067 having cognizance of matters relating to finance, revenue and bonding
1068 no later than [January 30, 2002, and every five years] February 15, 2006,
1069 and annually thereafter, in accordance with section 11-4a.

1070 Sec. 20. *(Effective from passage)* Notwithstanding any provision of the
1071 general statutes, for the fiscal year ending June 30, 2007, the sum of
1072 twenty million dollars shall be transferred from the resources of the
1073 State Banking Fund established in section 36a-65 of the general
1074 statutes, and credited to the resources of the General Fund.

1075 Sec. 21. *(Effective from passage)* Notwithstanding any provision of the
1076 general statutes, for the fiscal year ending June 30, 2007, the sum of
1077 five million dollars shall be transferred from the resources of the
1078 Insurance Fund established in section 38a-52a of the general statutes,
1079 and credited to the resources of the General Fund.

1080 Sec. 22. *(Effective from passage)* Prior to June 30, 2006, the Comptroller
1081 shall transfer forty-six million eight hundred thousand dollars of fiscal
1082 year 2006 General Fund revenue for use as General Fund revenue for
1083 fiscal year 2007.

1084 Sec. 23. Section 12-396 of the general statutes is repealed. (*Effective*
 1085 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	3-62h(e)
Sec. 2	<i>from passage and applicable to income years commencing on or after January 1, 2005</i>	12-214(b)
Sec. 3	<i>from passage and applicable to income years commencing on or after January 1, 2005</i>	12-219(b)
Sec. 4	<i>from passage and applicable to calendar years commencing on or after January 1, 2005</i>	12-344(d) and (e)
Sec. 5	<i>from passage and applicable to calendar years commencing on or after January 1, 2005</i>	12-642(a)
Sec. 6	<i>from passage and applicable to calendar years commencing on or after January 1, 2005</i>	12-643
Sec. 7	<i>from passage and applicable to estates of decedents who die on or after January 1, 2005</i>	12-391
Sec. 8	<i>from passage</i>	12-392(b)(3)
Sec. 9	<i>from passage and applicable to taxable years commencing on or after January 1, 2005</i>	12-700(a)(6)
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section

Sec. 13	<i>from passage and applicable for taxable years commencing on or after January 1, 2008</i>	12-701(a)(20)(B)
Sec. 14	<i>from passage and applicable for taxable years commencing on or after January 1, 2008</i>	12-701(a)(24)
Sec. 15	<i>from passage and applicable for taxable years commencing on or after January 1, 2008</i>	12-701(a)(30)
Sec. 16	<i>from passage and applicable to taxable years commencing on or after January 1, 2005</i>	12-702(a)
Sec. 17	<i>from passage and applicable to taxable years commencing on or after January 1, 2005</i>	12-703(a)(2)(C) to (I)
Sec. 18	<i>from passage and applicable to taxable years commencing on or after January 1, 2005</i>	12-704c(c)
Sec. 19	<i>July 1, 2005</i>	12-217z
Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>from passage</i>	New section
Sec. 22	<i>from passage</i>	New section
Sec. 23	<i>from passage</i>	Repealer section

FIN **Joint Favorable Subst.**

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note and OLR Bill Analysis

sSB-1321

AN ACT CONCERNING VARIOUS TAXES AND OTHER PROVISIONS RELATED TO REVENUES OF THE STATE.

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Department of Revenue Services	GF - Net Revenue Gain	551.5 million	662.7 million
Banking Dept.	BF - Revenue Loss	None	20.0 million
Insurance Dept.	IF - Revenue Loss	None	5.0 million

Note: GF=General Fund; BF=Banking Fund; IF=Insurance Fund

Municipal Impact: None

OFA Fiscal Impact:

The bill is anticipated to result in a net (gains less losses) General Fund revenue gain of \$551.5 million in FY 06 and \$662.7 million in FY 07.

The bill will result in a one-time revenue loss of \$20.0 million to the Banking Fund in FY 07.

The bill will result in a one-time revenue loss of \$5.0 million to the Insurance Fund in FY 07.

OLR Summary:

This bill increases the income tax by adding four tax brackets affecting those with taxable incomes over \$500,000 for joint filers, \$265,000 for single filers, \$396,000 for heads of household, and \$250,000 for married people filing separately. It increases the tax rates on these higher-income brackets. The new rates range from 5.75% to 6.5% for

2005 and 6.0% to 6.75% for 2006 and subsequent tax years (§§ 9-12). The current rate for these income levels is a flat 5.0%.

The bill eliminates the succession tax and the tax on gifts under \$1 million as of January 1, 2005 instead of over several more years as required by current law. It replaces these taxes with a uniform tax on transfers of Connecticut taxable gifts and estates that exceed a combined lifetime total of \$1 million (§§ 4-8 & 23).

The bill imposes corporation tax surcharges for the 2005 through 2007 income years. The surcharges are 10% for 2005 and 15% for 2006 and 2007. The surcharge for 2004 was 25% (§§ 2 & 3).

The bill also:

1. delays scheduled income tax reductions for single filers for an additional two years (§§ 16-18);
2. exempts 50% of federally taxable military retirement income from the state income tax starting in 2008 (§§ 13-15);
3. extends the deadline for the state to issue up to \$60 million in abandoned property revenue bonds for two years, until June 30, 2007 (§ 1);
4. transfers various sums from the Banking and Insurance Funds and from FY 06 General Fund revenue to the General Fund for FY 07 (§§ 20-22); and
5. revamps the existing corporation tax credit review committee and its membership and requires it to study USE OF unitary filing systems and multifactor apportionment formulas for the corporation tax (§19).

A section-by-section analysis and fiscal impact appear below.

EFFECTIVE DATE: Various, see below.

§ 1 – Abandoned Property Bonds**OFA Fiscal Impact:**

Presently, it is assumed that the amount of bonds that will be issued will yield the General Fund \$40 million in revenue in FY 07.

OLR Analysis:

The bill extends by two years the deadline for the State Bond Commission to issue up to \$60 million in special obligation abandoned property fund bonds. Under current law, the bond commission must authorize the bonds by June 30, 2005. The bill gives it until June 30, 2007.

Bonds are backed by revenue from disposal of abandoned property the state takes. By law, bond proceeds must go into the General Fund to support state programs. The maximum bond term is seven years.

EFFECTIVE DATE: Upon passage

§§ 2 & 3 – Corporation Tax Surcharges**OFA Fiscal Impact:**

The bill is anticipated to result in a General Fund gain of \$62.0 million in FY 06, \$47.0 million in FY 07, and \$16 million in FY 08.

OLR Analysis:

For the 2005, 2006, and 2007 income years, the bill imposes corporation tax surcharges of 10%, 15%, and 15%, respectively. The surcharges apply to all companies that pay the tax based on net income, even if they owe only the \$250 minimum tax. But the bill applies the surcharges to companies that pay the alternative tax on their capital base (see BACKGROUND) only if their tax liability is greater than the \$250 minimum tax.

Under the bill, a corporation must calculate its surcharge based on

its tax liability before any tax credits. The surcharge is due, payable, and collectible as part of the company's total tax for the year.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2005.

§§ 4-8 & 22 – Succession, Estate, and Gift Taxes

OFA Fiscal Impact:

The bill is anticipated to result in a net General Fund revenue gain (gain from the unified estate and gift tax off-set by losses resulting from the repeal of the succession and gift taxes) of \$66.8 million in FY 06 and \$138.9 million in FY 07.

OLR Analysis:

Transfer Tax

The bill eliminates the succession tax and the tax on gifts under \$1 million immediately instead of over several more years as required by current law. It eliminates the succession tax starting with deaths in 2005 instead of in 2006 for Class B heirs (collateral relatives such as siblings, nieces, and nephews) and 2008 for Class C heirs (more remote relatives and unrelated people). It eliminates the gift tax on January 1, 2005 instead of January 1, 2010.

The bill replaces these taxes with a uniform tax on transfers of Connecticut taxable gifts and estates that exceed a combined lifetime total of \$1 million. The estate tax currently equals 100% of the maximum federal credit for state inheritance taxes paid. But a 2001 federal law phased out the federal credits, effectively eliminating Connecticut's estate tax on January 1, 2005 ("The Economic Growth and Tax Relief Recovery Act of 2001," P.L. 107-134).

Applicability

The bill's transfer tax applies to:

1. estates of people who die on or after January 1, 2005 if (a) the estate's taxable value exceeds \$1 million and (b) the person was either a Connecticut resident when he died or owned Connecticut real or personal property;
2. federally taxable gifts (currently, gifts over \$11,000 per year, per recipient) made on or after January 1, 2005 that, in the aggregate, exceed \$1 million; and
3. a person's estate, if the combined value of all his federally taxable gifts during life (after January 1, 2005) and his taxable estate exceeds \$1 million.

Under the bill, a taxable estate is (1) a person's gross estate minus all federally allowable deductions except the one for state death taxes paid, plus (2) (a) for a state resident, the aggregate value of all federally taxable gifts and (b) for a nonresident, the total value of such gifts of real or personal property located in Connecticut that the decedent made during his life starting, on January 1, 2005. The bill allows a person to take advantage of the optional deduction for the value of a qualifying life income interest in property passing to a surviving spouse for state tax purposes, even if he does not do so for the federal estate tax.

Tax Rates

Table 1 shows the tax rates on taxable gifts made and taxable estates of those who die after January 1, 2005. The percentage rate on each line applies only to amounts in that rate bracket, not to the entire transfer amount. Thus, for example, on a \$1,100,000 estate, the tax would be 41% of \$93,785 (\$38,452) plus 5.6% of \$6,215 (\$348), or \$38,800 in total.

Table 1: Tax Rates on Taxable Gifts and Estates

TAX RATE	TAXABLE TRANSFER	
	<i>Over</i>	<i>But Not Over</i>
No Tax	\$ 0	\$1,000,000

41.0%	1,000,000	1,093,785
5.6%	1,093,785	1,100,000
6.4%	1,100,000	1,600,000
7.2%	1,600,000	2,100,000
8.0%	2,100,000	2,600,000
8.8%	2,600,000	3,100,000
9.6%	3,100,000	3,600,000
10.4%	3,600,000	4,100,000
11.2%	4,100,000	5,100,000
12.0%	5,100,000	6,100,000
12.8%	6,100,000	7,100,000
13.6%	7,100,000	8,100,000
14.4%	8,100,000	9,100,000
15.2%	9,100,000	10,100,000
16.0%	10,100,000	

The bill credits any gift taxes paid on gifts made on or after January 1, 2005 against total estate and gift tax liability.

Credits for Payments to Other States

Both current law and the bill allow a credit against Connecticut's estate tax for similar inheritance taxes paid to any other state or the District of Columbia on property under the other states' jurisdiction. Under both, the credit is the lesser of (1) the actual taxes paid in the other states or (2) the federal death tax credit multiplied by the percentage of the gross estate that is under the jurisdiction of other states. But because, as already described, the federal credit for state death taxes was entirely phased out on January 1, 2005 and is now zero, incorporating a zero federal credit into the calculation results in zero credit for taxes paid to other states. Thus, this bill, in effect, eliminates Connecticut's estate tax credit for inheritance taxes paid to other states or the District of Columbia.

Resident and Nonresident Estates

The bill retains the current definitions of property in resident and nonresident estates over which Connecticut has estate tax jurisdiction. For resident estates, Connecticut's jurisdiction extends to (1) real property in the state, (2) tangible personal property actually located

here, and (3) intangible property regardless of location. For nonresident estates, Connecticut's jurisdiction extends to the first two of these three types of property.

Other Provisions

The bill uses the federal taxable gift threshold to determine whether a gift must be counted toward the \$1 million exclusion. Smaller gifts do not count. Currently, a gift is taxable under federal law if it exceeds \$11,000 per recipient, per year. The bill automatically incorporates any changes in the federal gift tax threshold unless the federal gift tax is repealed entirely, in which case, the threshold in effect on the day before the repeal remains in effect for Connecticut.

As with the federal gift tax, if the federal estate tax is repealed, the bill requires the federal law in force on the previous day to remain in effect for purposes of the Connecticut's tax.

Obsolete Section

The bill eliminates an obsolete provision stating that the purpose of Connecticut's estate tax law is to give the state the benefit of federal estate tax credits for state death taxes paid (since eliminated as already described). The provision also requires the law to be liberally construed and gives the Department of Revenue Services (DRS) commissioner any incidental and additional powers she needs to accomplish that purpose (§23).

EFFECTIVE DATES: Upon passage and applicable to gifts made and to estates of people who die on or after January 1, 2005. The repeal of the obsolete section is effective on passage.

§§ 9-12 – Income Tax Increase

OFA Fiscal Impact:

The bill is anticipated to result in a General Fund revenue gain of \$462.5 million (18 months of collections) and \$345.0 million in FY 07 (12 months of collections).

OLR Analysis:

The bill increases the number of personal income tax brackets from two to six by adding four new brackets for taxable incomes over \$500,000 for joint filers, \$265,500 for single filers, \$396,000 for heads of household, and \$250,000 for married people filing separately. It increases the tax rates on these higher-income brackets from a flat 5.0% to 5.75% to 6.5% for the 2005 tax year and 6% to 6.75% for the 2006 tax year and after.

Table 2 shows tax rates and brackets under the current law and the bill. The tax rates shown apply only to the taxable income in the applicable bracket, not to all of a taxpayer's income.

Table 2: Current And Proposed Tax Rates And Brackets

TAX RATES			CT. TAXABLE INCOME (INCOME EXCEEDING APPLICABLE EXEMPTION)			
			<i>Married Filing Jointly or Surviving Spouse</i>		<i>Single or Trusts & Estates</i>	
Current	Bill (Tax Years Starting)		From	To	From	To
	1/1/05	1/1/06 & after				
3.0%	3.0%	3.0%	\$1	\$20,000	\$1	\$10,000
5.0% ↓	5.0%	5.0%	20,001	500,000	10,001	265,500
	5.75%	6.0%	500,001	750,000	265,501	398,500
	6.0%	6.25%	750,001	1,000,000	398,501	531,500
	6.25%	6.5%	1,000,000	2,000,000	531,501	1,062,500
	6.5%	6.75%	Over \$2,000,000		Over \$1,062,500	
TAX RATES			<i>Head of Household</i>		<i>Married Filing Separately</i>	
Current	Bill (Tax Years Starting)		From	To	From	To
	1/1/05	1/1/06 & after				
3.0%	3.0%	3.0%	\$1	\$16,000	\$1	\$10,000
5.0% ◀	5.0%	5.0%	16,001	396,000	10,001	250,000
	5.75%	6.0%	396,001	594,000	250,001	375,000
	6.0%	6.25%	594,001	792,000	375,001	500,000

	6.25%	6.5%	792,001	1,580,000	500,001	1,000,000
	6.5%	6.75%	Over \$1,580,000		Over \$1,000,000	

The bill creates a rate schedule for married couples filing separately instead of including them in the single filers' schedule. It sets their tax brackets at 50% of those for married couple filing jointly. It also includes trusts and estates in the single filers' schedule, thus making their income tax rates progressive. Under current law, all trust and estate income is taxed at a flat 5.0%.

The bill requires DRS to issue special withholding tables by June 1, 2005 that reflect the bill's income tax changes from January 1, 2005, and that result as far as practicable in six months' of withholding under the new rates between March 1 and June 30, 2005. The commissioner must reissue withholding tables under the usual procedures for after June 30, 2005.

The bill requires taxpayers who must pay estimated tax through the year to adjust their June 2005 estimated tax payments for any increase that applies to them for the 2005 tax year. It also allows DRS to forgive interest and penalties for estimated tax underpayments attributable to the bill's tax rate increases. Taxpayers must nevertheless pay the full taxes due for the year.

EFFECTIVE DATE: Upon passage. Tax rate changes apply to tax years beginning on or after January 1, 2005.

§§ 13-15 – Income Tax Exemption for Military Retirement Income

OFA Fiscal Impact:

The bill is anticipated to result in a General Fund revenue loss of \$2.5 million beginning in FY 08.

OLR Analysis:

Starting with the 2008 tax year, the bill exempts 50% of federally taxable military retirement pay from the state income tax. The exemption applies to federal retirement pay to retired members of the U.S. Army, Navy, Air Force, Marines, Coast Guard, and Army and Air

National Guard.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2008.

§§ 16-18 – Delay in Income Tax Reduction for Single Filers

OFA Fiscal Impact:

The bill is anticipated to result in a General Fund revenue gain of \$7.0 million in FY 06 and \$20.0 million in FY 07.

OLR Analysis:

The bill delays, by two years, income tax reductions for single filers. It delays scheduled increases in (1) their adjusted gross income (AGI) exempt from the tax and (2) income thresholds for reducing their personal exemption, personal credit, and property tax credit.

The maximum personal exemption for single filers for 2004 is \$12,625. Under current law, that maximum increased to \$12,750 on January 1, 2005 and is scheduled to rise in five more annual steps to \$15,000 on January 1, 2010. The bill delays the increase to \$12,750 and each subsequent increase by two years. It also delays increases in the exemption reduction thresholds to correspond, as shown in Table 3. (The law reduces the income tax personal exemption by \$1,000 for each \$1,000 of AGI over a specified threshold, which varies according to filing status.)

Table 3: Scheduled Personal Exemption Increases For Single Filers

<i>Tax Year(s)</i>		<i>Maximum Exemption (AGI)</i>	<i>Exemption Reduction Threshold (AGI)</i>
<i>Current Law</i>	<i>The Bill</i>		
2004	2004-2006	\$12,625	\$25,250
2005	2007	12,750	25,500
2006	2008	13,000	26,000
2007	2009	13,500	27,000

2008	2010	14,000	28,000
2009	2011	14,500	29,000
2010 and after	2012 and after	15,000	30,000

The bill also delays increases in AGI thresholds for reducing single filers' personal and property tax credits against the income tax as shown in Table 4. (The law reduces credits by 10% for each \$10,000 of AGI over a specified threshold, which varies according to filing status.)

Table 4: Scheduled Increases In Single Filer Personal And Property Tax Credit Reduction Thresholds

<i>Tax Year</i>		<i>Credit Reduction Threshold (AGI)</i>
<i>Current Law</i>	<i>The Bill</i>	
2004	2004-2006	\$55,000
2005	2007	55,500
2006	2008	56,500
2007	2009	58,500
2008	2010	60,500
2009	2011	62,500
2010 and after	2012 and after	64,500

EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2005.

§ 19 – Business Tax Credit Review Committee and Tax Study

OFA Fiscal Impact:

Legislative Management will incur minimal costs for legislator mileage reimbursement for the members of the committee that are legislators. The current mileage reimbursement is 40.5 cents per mile.

There may be some cost associated with the unitary filing and multifactor apportionment study depending on its scope.

OLR Analysis:

Committee Membership and Qualifications

The bill revamps the corporation business tax credit review committee and renames it the business tax credit review committee. Under current law, the committee is responsible for evaluating

corporation business tax credits and reporting the results of its study to the Finance, Revenue and Bonding Committee every five years. This bill requires it to report annually by February 15, starting in 2006. Under current law, no members have been appointed to the committee and it has never issued a report.

The bill reduces the committee's membership from 13 to 12 by eliminating the governor's appointment; makes the Finance, Revenue and Bonding Committee co-chairmen the review committee's co-chairmen; and requires its six appointed members to have specific qualifications. Under both current law and the bill, the review committee also includes the Finance Committee's ranking members and the DRS and DECD commissioners or their designees. The bill requires the committee to meet at least twice a year.

The bill requires appointed members to have the following qualifications:

Qualification	Appointing Authority
Business community representative	Senate president pro tempore
Municipal organization representative	House speaker
Labor organization representative	Senate majority leader
Attorney specializing in taxation	House majority leader
Accountant specializing in taxation	Senate minority leader
Economist	House minority leader

Tax Study

In addition to its current responsibility to study and evaluate existing credits against the corporation tax, the committee must study the potential effects of using unitary filing and multifactor apportionment formulas for the corporation tax (see BACKGROUND).

The committee must review other states' experience with unitary filing and multifactor apportionment and gather information about their advantages and disadvantages. The information must include their reported impact on business and employment growth and on related economic sectors in other states. The bill requires the

committee to report its findings and recommendations for further action as part of its annual reports to the Finance Committee.

EFFECTIVE DATE: July 1, 2005

§§ 20 & 21 – Banking and Insurance Fund Revenue Transfers

OFA Fiscal Impact:

The bill will result in a General Fund revenue gain of \$25.0 million in FY 07. The bill will also result in a revenue loss to the Banking Fund of \$20.0 million in FY 07 and to the Insurance Fund of \$5.0 million in FY 07.

OLR Analysis:

The bill transfers \$20 million from the Banking Fund and \$5 million from the Insurance Fund to the General Fund for FY 07.

EFFECTIVE DATES: Upon passage

§ 22 – General Fund Revenue Transfer

OFA Fiscal Impact:

The bill will result in a General Fund revenue loss of \$46.8 million in FY 06 and a General Fund revenue gain of \$46.8 million in FY 07.

OLR Analysis:

Before June 30, 2006, the bill requires the comptroller to transfer \$46.8 million in FY 06 General Fund revenue to FY 07 General Fund revenue.

EFFECTIVE DATE: Upon passage

§ 22 – Repealer

OFA Fiscal Impact:

No fiscal impact.

OLR Analysis:

The bill repeals an obsolete section of the estate tax law as described above §§ 4-8.

EFFECTIVE DATE: Upon passage

BACKGROUND***Alternative Capital Base for Corporation Tax***

The law requires nonfinancial services companies to calculate their corporation taxes based on both their net income and capital base and to pay the higher of the two. The capital base is the sum of the average value of a company's issued and outstanding capital stock, surplus and undivided profit, and surplus reserves, less the average value of deficits and stock holdings in private corporations. The capital base tax is 3.1 mills per dollar of capital base holdings.

Unitary Filing

Unitary filing refers to a system that would require a company with affiliates operating in both Connecticut and other states to file its corporation tax return in Connecticut as if it and all its affiliates were a single company. Connecticut does not currently require unitary filing.

Multifactor Apportionment

Multifactor apportionment formulas require companies operating in several states to apportion their net income to Connecticut for state corporation tax purposes based on several aspects of their operations. For example, Connecticut requires most companies to use a three-factor formula incorporating property, payroll, and sales. Companies apportion their income to Connecticut for tax purposes based on the ratio of their operations in Connecticut compared to their total operations. But Connecticut also allows some types of companies, such as manufacturers and broadcasters, to use a single factor, which is the ratio of the company's sales in Connecticut to its total sales.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 30 Nay 18